

Summary

Part I: Disparities and Dimensions

1. Introduction

1. The Development process encompasses physical facilities for a better living and performance of the people and an increase in income for sustaining and adopting new skills for gaining higher productivity. The growth of the State or a national or global economy aims specifically at raising the total income generated. Growth in itself will not automatically ensure equitable distribution which demands interventionist policies such that all strata of society and the different regions inhabited by them get the benefit of improved incomes. This requires growth with social justice.

2. The approach to development becomes a combination of strategies which would combine State investment in sectors which may not easily attract private investment under market driven forces. Greater the heterogeneity in the different parts of the State, more striking can be the deficiencies in comparison with an average level of facilities. If a State is carved out of areas taken from different adjoining States all of which are at various levels of development, the newly formed State cannot expect to have inherited a balanced economy. This is the story of the imbalances in the State of Karnataka. The newly added areas had for historical reasons suffered in socio-economic development having been treated as peripheral regions of the pre-Independence Presidency States, while Mysore-Karnataka had achieved a relatively better development due to historical reasons.

3. Notwithstanding the substantial development that has been registered in both North and South Karnataka, by 1999-00 the State per capita income reached Rs.16,654 but the range of variation in district incomes was somewhat causing concern in so far as it varied from Rs.9,902 for Bidar to Rs.27,984 for Bangalore Urban District. There has been a high growth rate in per capita income in the different districts, but at different rates even within the different regions constituting Karnataka. A similar trend is observed in sectoral contribution and their different components to the total SNDP of Karnataka in different districts and within districts of the same region. There has been an increase in expenditure on infrastructure in North Karnataka but this seems to have not been properly appreciated. The massive and almost disproportionate increase in investment on irrigation with a view to harnessing the water resources in North Karnataka by 2000 for the benefit of agriculture and rural development led to the concentration in that sector leading to lesser investment on infrastructure in the different regions.

4. In response to the resentment observed in North Karnataka about the imbalances between North and South Karnataka, the Government have responded in different ways since the formation of the State in 1956. But there was no comprehensive approach to regional imbalances until 2000 when the Government headed by Sri S. M. Krishna as Chief Minister appointed a High Power Committee for Redressal of Regional Imbalances [HPC FRRRI] in October 2000 with Dr. D. M. Nanjundappa as Chairman to study the disparities in the level of development from district to district and from region to region and also between South Karnataka and North Karnataka, and recommend appropriate strategy for development so as to minimize inter-district and inter-regional disparities and also suggest appropriate institutional mechanism for implementing the strategy for moving towards balanced development.

5. HPC FRRRI gave the first phase of Recommendations on 28th February 2001. The Committee has noted that Government have accepted and implemented three or four Recommendations immediately thereof.

6. The Committee has followed a scientific and comprehensive method for identifying the imbalances. The Committee visited all the districts and held discussions with the Zilla Panchayats and others concerned with the regional imbalances. It met 16 times for its deliberations. The Committee also commissioned studies on the functioning of the Regional Development Boards, functionality of the various basic minimum needs and other facilities provided in the different districts, role of Cooperatives in reducing regional imbalances and also adopted the Geographic Information System for presenting the development and location profiles. The Member-Secretary visited Hyderabad and Bombay for discussions and collected the particulars relating to the measures adopted in Andhra Pradesh and Maharastra for tackling the problems of regional imbalances. The Committee also interacted with the Chief Minister and some of his senior Cabinet colleagues for getting an insight into the decision-making process in matters of implementing the probable recommendations of our Committee.

7. The Report is presented in a Main Volume called the Final Report and Four Accompaniments. It has Seven Parts covering 34 Chapters. The HPC FRRRI is most grateful to all, both in Government and outside, who have helped us in this work.

2. Regional Imbalances and Backwardness

1. Redressal of imbalances in facilities that constitute infrastructure as well as investment for development is not a matter that can be achieved at one stroke. It is a continuous process.

2. Reduction of regional imbalances is one of the means for achieving the goal of re-distributive justice. Formulation and implementation of plans at the grass root levels is of vital importance in achieving this goal. The redressal of regional imbalances does not mean achieving uniform development in all regions or districts of the State.

3. Solutions to the problem of disparities cannot emerge solely from resource distribution and special or accelerated schemes. It needs identification of barriers to development and concentrate on resources and efforts to break them. It has to surround the natural resources of the region including skills and management. People's involvement is a must in this process.

4. Imbalances in terms of facilities or services either below the State average or above the State average influence the transition from backwardness to development. Our study is a systematic attempt to determine backward areas through assessing imbalances in relation to relatively developed area, the latter being the level above the State average.

5. Realizing the crucial importance of reducing backwardness and achieving equity and social justice in the development process, our Constitution emphasized securing equity and equality not only amongst individuals but also amongst groups of people in different areas or engaged in different vocations.

6. There is always a need for regional planning and aggregate investment management to go hand in hand if there is to be balanced development. This may also require resource transfer from richer areas to backward areas in order to maximize the welfare of the people.

7. The State's Draft Five Year Plan, 1974-79 emphasized the need for regional planning to reduce inter-district and intra-district imbalances. In both V and VI Five Year Plans of Karnataka, reducing regional inequalities was stated as one of the major objectives. Also, the policy formulation took note of the imperative to take care of poverty rather than taking care of SNDP. This objective has been discarded in subsequent plans. In view of the importance of reduction in regional imbalances in our country among the States, the Planning Commission set up a National Committee on the development of backward areas (1978-1981). The National Committee identified three key characteristics of backwardness viz., [1] areas must have potential for development; [2] there must be some inhibiting factor, which prevents this potential from being

realized, and [3] there must be a need for spatial programmes to remove or mitigate that inhibiting factor. It is necessary to give stimulants for a transition from backwardness to relative development in the lagging areas.

8. The problem of regional disparities and backwardness is sought to be tackled in several ways of which the more important are: [1] Backwardness is to be recognized as a factor to be taken into account in resource transfer. [2] Special Area Development programmes and employment generating schemes are to be formulated and implemented directing them at backward area development. [3] Initiate measures to promote private investments in backward areas. [4] Formulate policies to promote equalization of the level of physical facilities or services of any region or district with that of the average facility enjoyed by the people in the relatively developed or better off districts / taluks generally represented by the average level in the State.

9. Any effort to reduce imbalances or backwardness demands both the development of human resources through the strengthening of education and health infrastructure and also, where required, a deliberate decision to locate an economic activity in any sector with appropriate compensating measures that are carefully worked out. Policy incentives are also relevant for arresting divergence and move towards convergence.

3. Approach to Imbalances

1. A detailed statistical exercise by the Planning Commission in 1967 which posed and dealt with the problem of regional disparities for the first time officially in quantitative terms became a harbinger of government action on the policy front to tackle the problem of backwardness. Nevertheless an adequate attention to the impact of factors other than economic - such as historical, cultural and social - on regional backwardness was missing. Consequently, many of the special schemes recommended by the planners till then to tackle the problem of regional backwardness turned out to be mere palliatives without a lasting solution.

2. An internal Committee set up by the Planning Commission headed by Professor S. Chakravarty during the course of the Fifth Plan noted that, though backwardness is a relative concept, areas with different kinds and severities of backwardness can be identified on partial indicators of development and under development. It made an index-based exercise for the identification of backward districts. In contrast, the National Committee on the Development of Backward Areas (NCDBA) set up during the course of the Sixth Plan evolved an innovative method in identifying and classifying the backward areas in the country by identifying six types of problem areas as backward. NCDBA viewed them as six types of fundamental backwardness.

3. The Planning Commission and the Finance Commissions used various proxies like poverty, per capita income, disparity in development, proportion of SCs and STs for resource allocation. In particular, the Eighth Finance Commission and onwards have used an index of backwardness and an index of infrastructure both for the distribution of income tax revenues and Union Excise duties. Some of the finance commissions have also recommended special purpose grants for the upgradation of facilities or services in backward areas.

4. The second State Finance Commission accorded 33 1/3 per cent weightage to infrastructure like roads, education and health facilities for resource devolution to Zilla Panchayats.

5. Various Committees of the Government of India like the Pande Committee, Chakravarty Committee, and Dandekar Committee used different criteria for identifying backwardness. Pande Committee was confined to five indicators for identifying industrial backwardness. The Planning Commission used six indicators. The Fifth and the Sixth Five Year Plans of Karnataka adopted twenty two indicators and computed a composite index of development for the districts to assess different levels of development. Chakravarty Committee used fourteen indicators. Dandekar Committee used ten indicators. Some of the indicators are common among these adopted by different Committees / Commissions. HPC FRRI has adopted thirty five indicators for constructing a Comprehensive Composite Development Index (CCDI) spread over various sectors like Agriculture, Industry, Economic Infrastructure, Social Infrastructure,

and Financial and Technological Infrastructure and these indicators can be seen at Annexures in Chapter 6.

6. HPC FRRI has adopted taluk as the basic unit for determining backwardness. It did not favour the use of erstwhile regions like Hyderabad-Karnataka, Bombay-Karnataka, Kodagu, Madras-Karnataka and Mysore-Karnataka, both for identification of the backlog of disparities and for the allocation of resources based on specific deprivation of facilities / services. The reasons are that it is not correct to say that a region as a whole has uniformly developed in all its districts / taluks or has been uniformly backward in all its districts / taluks. The macro approach to planning is now to be replaced by a micro approach, i.e, taluk as unit, for decentralized planning and to facilitate redressal of disparities. The terms of reference also require the Committee to study the imbalances from district to district and also between North Karnataka and South Karnataka. Further it is feared that such regional demarcation, if continued, would perpetuate emotional differences among the Kannada speaking people. Also a Comprehensive Report on imbalances and suggestions for developing a balanced developed State would not be possible without study and planning at the taluk level.

7. With due deference to the view expressed by the NCDDBA that chronically drought- prone areas may be considered as a type of fundamental backwardness, an attempt is made in our study to examine the inter-relationship between backward areas and drought-proneness. This reveals that a major portion of the State is caught up in the drought-prone backwardness disparity syndrome. As many as 88 taluks are drought prone, as determined by the irrigation Commission. Most of these figure in the 114 taluks identified as backward by us. This suggests a multidimensional approach in breaking this syndrome.

4. Imbalances in Karnataka – Then and Now:

1. Since the introduction of new economic reforms, with their concomitants of liberalisation and globalisation, our country has allowed divergence in the development of the regions. It has been so with in Karnataka also. Analysis of disparities in Karnataka, as per the configuration of districts prior to 1998 to facilitate in the inter-district comparison over time in respect of per capita income, poverty, human development, overall development/backwardness and selected development indicators substantiates this point. See Tables in Chapter 4 for details.

2. The average per capita income in Karnataka increased from Rs. 685 in 1970-71 to Rs.13621 in 97-98 (and to Rs. 18561 in 1999-2000, the latest year for which data as per the new configuration of districts are available). All the districts in the State, whether of South Karnataka or North Karnataka, registered high growth in their per capita income in the corresponding period. But, compared to the State average, all the districts of North Karnataka and six districts of South Karnataka (Bangalore Rural, Chitradurga, Hassan, Kolar, Mandya and Tumkur) had lower per capita income in 1997-98. To view it differently, all those districts which had their per capita income higher than the state average in 1997-98 belonged to South Karnataka. While disparities in income across districts narrowed down between 1970-71 and 1993-94, these got widened between 1993-94 and 1997-98.

3. The incidence of poverty was higher than the State average in 4 districts of South Karnataka: Bangalore Rural, Kolar, Chitradurga and Tumkur and in 4 districts of North Karnataka: Bellary, Bidar, Dharwad and Gulbarga in the year 1993-94, the latest year for which disaggregated data on poverty ratios are available. Little correspondence between the poverty ratios and the per capita income among the districts was discernible, thus bringing out the limitation of per capita income as a measure of social welfare. Out of 78 taluks suffering from abject poverty (defined as a situation when not less than 40% of the families in a given taluk are below the poverty line), 48 taluks (62%) belonged to North Karnataka and the remaining 30 taluks (38%) to South Karnataka.

4. Human development index registered an improvement from 0.47 in 1991 to 0.63 in 1998 for the State as a whole. All the districts experienced an improvement in their respective Human development index in the corresponding period. Notwithstanding this improvement, human development index of 10 districts: Tumkur, Mysore, Mandya, Chitradurga and Kolar in South Karnataka and Gulbarga, Bijapur, Bidar, Raichur and Bellary in North Karnataka was below the State average.

5. Estimates of composite index of development available for different time points indicated that between 1960-61 and 1998-99, the relative ranks of 4 districts in North Karnataka: Belgaum, Bidar, Bijapur and Gulbarga and of 4 districts in South Karnataka: Chickmagalur, Kolar, Tumkur and Kodagu deteriorated. In contrast the , relative ranks

of 2 districts in North Karnataka: Uttara Kannada and Raichur and of 5 districts in South Karnataka: Bangalore, Chitradurga, Hassan, Mandya and Mysore improved.

6. Despite the decline in the relative contribution of the primary sector to State / District income, it continues to be an important contributor (more than 40%) in Belgaum, Bijapur, Raichur and Bellary (4 districts) in North Karnataka and Chitradurga, Kolar, Chickmagalur, Shimoga, Tumkur, Mandya, Hassan and Kodagu (8 districts) in South Karnataka. Tertiary sector registered almost dramatic and widespread gains in most of the districts. In 6 districts: Uttara Kannada, Gulbarga, Bidar, Bangalore, Mysore and Dakshina Kannada it outbeat the primary sector to occupy the first position. South Karnataka continues to hold its sway in the composition of state income, with nearly 2/3 of the state income derived from it.

7. A scrutiny of the regional disparities in respect of selected development indicators then (base period) and now (current period) indicated the persistence of regional disparities.

8. To illustrate, literacy rate in Karnataka improved from 29.80% in 1961 to 67.04% in 2001. Improvement was registered in all the districts. But literacy rate was lower than the State average in 3 districts of South Karnataka: Kolar, Mandya and Mysore and in 6 districts of North Karnataka: Belgaum, Bijapur, Bellary, Bidar, Gulbarga and Raichur.

9. The state average of primary schools per lakh population declined marginally from 96 in 1958 to 94 in 1999-2000 caused largely by the corresponding decline in the average number of schools in North Karnataka.

10. The state average of number of hospital beds per lakh population improved from 54 in 1958-59 to 75 in 2001. The corresponding regional averages for South Karnataka and North Karnataka are 85 and 61 respectively indicating the gap of the latter region compared to the state average.

11. Net irrigated area increased more than three-fold from 7.6 lakh hectares in 1957-58 to 25.5 lakh hectares in 2000-01. Shares of South Karnataka and North Karnataka in this incremental expansion were 21% and 71% respectively.

12. Nearly two-third of the industrial units are located in South Karnataka with Bangalore claiming a large share in it in the year 1998-99. North Karnataka continues to lag behind South Karnataka in attracting the industrial units. However, it is noteworthy that districts like Dharwad, Belgaum and Bijapur in North Karnataka occupy higher ranks compared to many districts in South Karnataka.

13. There has been a phenomenal growth in the electrification of towns and villages in the State, touching nearly 100% in all the districts. However this achievement

gets tempered when we notice that only 37.5% of hamlets in the State are provided with this facility. Hamlets are concentrated in Malnad and coastal districts of Karnataka.

14. The state average of road length increased from 2.3 Kms in 1959 to 70 Kms in 1999 per 100 Sq. Kms of area. Districts which lag behind the state average are Chitradurga and Dakshina Kannada in South Karnataka and Belgaum, Bellary, Bidar, Gulbarga, Bijapur, Raichur and Uttara Kannada in North Karnataka.

15. All the districts reported a higher density of vehicles (per lakh population) by 2001 compared to 1959-60. But it is to be noted that only 4 districts in South Karnataka: Bangalore, Dakshina Kannada, Kodagu and Mysore have vehicle density higher than the state average, whereas in North Karnataka, excepting Dharwad in all other districts the vehicle density is lower than the state average.

16. Average population served by a Bank Branch improved to 11,000 in 1996 from 16,000 in 1975. North Karnataka continues to lag behind South Karnataka in the level of banking facilities. Average population per branch in North Karnataka is 13,000 as against 10,000 in South Karnataka.

17. It is evident therefore that in general the districts in North Karnataka lagged behind those in South Karnataka and also compared to the state average. However, it is important to recognise that there are cases of districts in North Karnataka now whose relative status in respect of certain indicators / sectors is comparable to that of developed districts in South Karnataka. Uttara Kannada and Dharwad in respect of literacy; Belgaum, Bellary and Raichur in respect of Irrigation; Belgaum and Dharwad in respect of industrial units; Uttara Kannada and Bellary in respect of health infrastructure and Dharwad in respect of road length may be cited as examples of this feature. Likewise there are cases of districts in South Karnataka now whose relative development status in respect of certain indicators / sectors is comparable to that of the backward districts in North Karnataka. Mandya and Mysore in respect of literacy; Chitradurga in respect of road length; Mandya and Kolar in respect of vehicle density and Tumkur in respect of health infrastructure may be recalled as examples of this regional disparity.

5. Deprivation Distances

1. Regional imbalances are assessed with reference to six select parameters of deprivation. The problem of regional imbalances in development is viewed from the deprivation end. The districts whose deprivation levels are equal to or less than the State average deprivation are regarded as 'Least Deprived', those whose deprivation levels are higher than the State average deprivation by 25% of the State average deprivation are regarded as 'More Deprived'. For example, in the present chapter, the State average deprivation in respect of 'percentage of families below the poverty line' is 33%, and 25% of it (33%) works out to 8.25. Given these figures, the districts whose deprivation levels lie between zero and 33% come under the 'Least Deprived' Category, the districts whose deprivation levels exceed 33%, but do not exceed 41.25% (33% + 8.25%) come under the 'Less Deprived' Category, and the districts whose deprivation levels exceed 41.25% come under the 'More Deprived' Category. Accordingly, 14 districts with deprivation levels ranging from 15.40% to 32% get classified as 'Least Deprived', seven districts with deprivation levels ranging from 33.70% to 40.27% get classified as 'Less Deprived', and six districts with deprivation levels ranging from 41.50% to 46.40% get classified as 'More Deprived' (Table 5.1). This method of classification of districts is adopted in respect of all the six parameters of deprivation.

2. Capability-deprivations are found in all the districts irrespective of the divisions and regions to which they belong. The severity of deprivations is more pronounced in NKR than in SKR. Further, most of the parameters of deprivation point at Gulbarga as the most deprived division.

3. In income deprivation, 14 districts have deprivation lower than the State average of 33% and the remaining 13 districts have a level higher than the State average. In health deprivation, North Karnataka has 42.78% unsafe deliveries as against 27.29% in South Karnataka. Deprivation disparities in unsafe drinking water between South Karnataka and North Karnataka are more or less at the same level of 42% and 44% respectively. About 58% of the children below the age group of five years are moderately nourished. Every district suffers from deprivation in the matter of children out of school in the age group of 6-14 years; but varies in degree like 1.14% in Udupi to 26.73% in Raichur. Deprivation is high in its intensity in Raichur among the districts, in Gulbarga among the divisions and North Karnataka among the regions. Deprivation in terms of gender gaps in literacy prevails in all the districts with wide variations. It is 28.4% in Koppal and 9.38% in Bangalore, 24.59% in Gulbarga and 15.4% in Mysore. North Karnataka has 23.25 percent against 15.67% in South Karnataka.

4. Gadag in respect of BPL families, Gulbarga in respect of unsafe deliveries, Bellary in respect of severely malnourished children, Udupi in respect of unsafe drinking water, Raichur in respect of children out of school, and Koppal in respect of gender gaps in literacy, emerge as the most deprived districts in Karnataka. The districts of NKR are

found to be experiencing greater degree of gender inequity than those of SKR [For the names of districts, see Table 5.19].

Functionality of Infrastructure

5. HPC FRRI tried to ensure that statistics supplied by the Departments are not solely relied upon in our analysis of basic minimum needs related infrastructure. They are to be verified for their functionality. Therefore, a sample study of the functionality covering the entire state was carried out, at our request, by the Directorate of Economics and Statistics. The results show that dysfunctionality is somewhat very high in areas pertaining to PHCs, primary schools and ANM sub-centres, drinking water supply, and electrification which causes concern. From the view point of imbalances, dysfunctionality is more or less evenly distributed between North and South Karnataka in some areas, but is very high in North Karnataka in the matter of drinking water supply, pharmacists, buildings for sub-centre staff. (See Table 5.20). The Government is urged to rectify the defects in the existing infrastructure giving high priority instead of concentrating on new proposals only for adding to the existing figures.

Part II: Methodology

6. Indicators for Identification of Disparities

1. In this chapter, we construct indicators for measuring development, which can be used for identifying regional disparities / backwardness. It is probably for the very first time in the Indian context that such an exercise of constructing a Comprehensive Composite Development Index (CCDI) has been attempted at the taluk level.

2. Using 35 indicators - covering sectors viz., Agricultural and allied (9); Industrial Trade and Finance (5); Economic Infrastructure (9); Social Infrastructure (7); and Population Characteristics (5); Sectorwise index for each of the 175 taluks by using a methodology which assigns a precise weight to each of these indicators. These 5 sectoral indices are then aggregated into a CCDI by using the shares of these 5 sectors (suitably adjusted by giving a 10 percent additional weightage to social infrastructure) in the SDP of Karnataka.

3. Considering that an index of '1' indicates the state average, we are able to identify 114 taluks whose CCDI values are less than '1' as "Backward Taluks". We further sub- divide these into: (i) Backward taluks: $0.88 < \text{CCDI} < 1$; (ii) More backward taluks: $0.79 < \text{CCDI} < 0.89$; (iii) Most backward taluks $0.52 < \text{CCDI} < 0.80$.

This yielded the following:

Most backward taluks	=	39
More backward taluks	=	40
Backward taluks	=	35
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Total	=	114

4. Thus it is seen that about 65% (=114 / 175) of the 175 taluks in Karnataka are backward taluks, which is an indicator of the level of backwardness in the State.

5. The list of taluks appearing in each of these three categories of backward taluks is provided in the following table.

Table 2: Identification of Regional Backwardness Based on the Comprehensive Composite Development Index, 2001

Sl. No.	District	Most Backward Taluks (index in the range from 0.53 to 0.79)	Index	More Backward Taluks (index in the range from 0.80 to 0.88)	Index	Backward Taluks (index in the range from 0.89 to 0.99)	Index
1	Bellary Bellary Bellary	Sandur Kidligi	0.75 0.74	Siruguppa H.B.Halli Hadagali	0.86 0.84 0.81		
2	Bidar Bidar Bidar Bidar	Bhalki Humnabad Basavakalyan Aurad	0.74 0.73 0.69 0.65				
3	Gulbarga Gulbarga Gulbarga Gulbarga Gulbarga Gulbarga Gulbarga Gulbarga	Sedam Shorapur Yadgir Chittapur Afzalpur Shahapur Aland Chincholi Jevargi	0.72 0.70 0.67 0.65 0.62 0.62 0.61 0.57 0.57			Gulbarga	0.89
4	Koppal Koppal	Kushtagi Yelburga	0.64 0.63	Koppal	0.81	Gangavathi	0.93
5	Raichur Raichur Raichur Raichur	Sindhanur Manvi Lingsugur Devdurga	0.78 0.69 0.63 0.53	Raichur	0.87		
1	Gulbarga Division	21		5		2	
6	Bagalkot Bagalkot	Bilagi	0.77	Hunugund Badami	0.85 0.82		
7	Belgaum Belgaum Belgaum			Athani Gokak Soundatti	0.88 0.86 0.86	Raybag Bailhongala Radurg Hukkeri	0.97 0.95 0.90 0.89
8	Bijapur Bijapur Bijapur Bijapur	Muddebihal B Bagewadi Indi Sindgi	0.69 0.69 0.66 0.64			Bijapur	0.92
9	Dharwad			Kalghatagi	0.84	Navalgund Kundagol	0.99 0.95
10	Gadag Gadag			Mundaragi	0.88	Ron Shirahatti	0.92 0.89
11	Haveri Haveri			Savanur Shiggaon Hirekerur	0.87 0.84 0.88	Haveri Byadagi Hanagal	0.99 0.97 0.92

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Sl. No.	District	Most Backward Taluks (index in the range from 0.53 to 0.79)	Index	More Backward Taluks (index in the range from 0.80 to 0.88)	Index	Backward Taluks (index in the range from 0.89 to 0.99)	Index
12	Uttara Kannada Uttara Kannda			Supa (Joida) Bhatkal	0.87 0.82	Ankola Siddapur	0.98 0.92
II	Belgaum Division	5		12		14	
13	Bangalore (U)					Anekal	0.90
14	Bangalore (R)	Kanakapura Magadi	0.74 0.79			Hosakote Chennapatna	0.97 0.95
15	Chitradurga Chitradurga Chitradurga	Hosadurga	0.78	Hiriyur Molakalmuru Holalkere Challakere	0.87 0.84 0.84 0.81		
16	Davanagere Davanagere	Channagiri Harapanahali	0.78 0.72	Honnali Jagalur	0.86 0.80		
17	Kolar Kolar Kolar Kolar Kolar	Bagepalli	0.76	Mulbagal Gudibanda Gowribidanur	0.88 0.84 0.83	Srinivasapura Chintamani Bangarpet Malur Sidlaghatta	0.98 0.97 0.96 0.93 0.91
18	Shimoga			Soraba	0.82	Shikaripura	0.92
19	Tumkur Tumkur Tumkur Tumkur	Kunigal Madhugiri Gubbi Sira Pavagada	0.79 0.74 0.73 0.73 0.72	Turuvekere Koratagere C.N.Halli	0.86 0.83 0.83		
III	Bangalore Division	11		13		9	
20	Chanarajanagar Chamarajanagar	Chamarajanagar	0.78	Gundlupet Kollegal	0.81 0.80		
21	Chikmagalur			Kadur	0.81	Tarikere	0.89
22	Dakshina Kannada						
23	Hassan			Arakalgud	0.84	Holenarasipura Belur Channarayapatna Arasikere	0.97 0.94 0.92 0.91
24	Kodagu						
25	Mandya Mandya Mandya			Malavalli Nagamangala Krishnarajpet	0.84 0.83 0.80	Srirangapattana Maddur Pamdavapura	0.98 0.95 0.94
26	Mysore Mysore Mysore	H.D.Kote	0.72	Hunsur T.Narasipur Nanjanagud	0.88 0.87 0.87	Periya[atna K.R.Nagar	0.97 0.92
27	Udupi						

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Sl. No.	District	Most Backward Taluks (index in the range from 0.53 to 0.79)	Index	More Backward Taluks (index in the range from 0.80 to 0.88)	Index	Backward Taluks (index in the range from 0.89 to 0.99)	Index
IV	Mysore Division	2		10		10	
A	Northern Region (I + II)	26		17		16	59
B	Southern Region (III + IV)	13		23		19	55
Grand Total		39		40		35	114

Note: Blanks in the columns indicate that there are no taluks under concerned groups.

6. The division-wise breakup of these 114 taluks is as follows:

Divisions	Most Backward	More Backward	Backward	Total
Gulbarga	21	5	2	28
Belgaum	5	12	14	31
Bangalore	11	13	9	33
Mysore	2	10	10	22
Total	39	40	35	114

7. While apparently there seems to be an insignificant regional disparity, there being 59 backward taluks in the Northern Region as against 55 backward taluks in the Southern Region, a closer inspection reveals that, at the lowest strata of development, the Northern Region is definitely worse off, considering that it has 26 "Most Backward Taluks" as against only 13 in the Southern Region. The North-South divide is clearly apparent.

Part III: Resources and Infrastructure

7. Population and Workforce

1. There is a striking demographic diversity across the regions / districts / taluks. Demographic characteristics explain to some extent the cause and effect factors in the regional imbalances in socio-economic development. The Census data reveal that South Karnataka is better placed as compared to North Karnataka in demographic aspects.

2. Development is not only growth in income, wealth or consumption, but also expansion of human capabilities. UNDP's Human Development Reports emphasized that people are the real wealth of a nation. Investment in people would result in increasing knowledge, skill and capabilities of the people. In this context, it is important to aim at reducing regional imbalances in human development.

3. Work participation rate is marginally higher in South Karnataka (45.35%) as compared to that in North Karnataka (43.60 %). Whereas Agricultural labour is more predominant in North Karnataka (36.2%) especially in Gulbarga division (40.6%) as compared to South Karnataka (19.4%). Their proportion is almost double in North Karnataka as compared to South Karnataka. Contrary to it, the proportion of industrial workers to total workers is almost double in South Karnataka (13.7%) as compared to North Karnataka (6.9%). Employment in public organized sector shows that South Karnataka region accounts for lion's share (65%) as compared to North Karnataka region (35%). Similarly, South Karnataka accounts for larger share of 82% as against 18% of North Karnataka in organized private sector. Even in the case of job seekers (according to the data of Employment Exchanges), South Karnataka accounts for lion's share (64%) as compared to the share of 36% in North Karnataka.

4. The growth in employment is not commensurate with the growth in labour force in the last decade. It is to be noted that unemployment, especially of educated and technical personnel, has been growing fast. The slow growth in employment can be attributed to the structural adjustments that are being effected consequent to the reforms brought in the economy in 1990s and also due to industrial recession all over the world.

8. Agriculture, Horticulture, Sericulture and Forestry

1. Agriculture in Karnataka has a wide diversity, from crop agriculture to plantations (e.g., arecanut, coffee, rubber, coconut), sericulture, horticulture, livestock and poultry rearing. Therefore, a mix of region-specific strategy alone can bring about some solution to the problems of regional disparity on the agricultural front in the state.

2. As far as overall agricultural backwardness is concerned, as many as 50 talukas from North Karnataka and 38 from South Karnataka are below the state average. Among them, about 21 in North Karnataka and 16 in South Karnataka are most seriously backward in both agricultural infrastructure and development, requiring some immediate attention. A special development package on agriculture and allied activities is to be specifically addressed to these talukas.

3. The dry land areas of the state are to be taken as most vulnerable to succumb to the deprivation of basic needs. Therefore, various alternatives such as horticulture, providing proper training (in livestock rearing and poultry, bee keeping, floriculture and sericulture) and promoting sericulture in the regions identified by HPC FRRI, establishment of research and training centres for chilli, maize, tur, providing proper and timely veterinary services, promoting eco-tourism in the forest regions, and many such recommendations made by HPC FRRI are absolutely necessary to redress the grievance of the people as expressed in their views.

4. Perhaps, next only to irrigation and credit, it is marketing facilities that can promote agricultural growth and reduce the imbalances in the agricultural sector. There are as many as 33 talukas that are not having any regulated market facilities, of which 12 are in North Karnataka and 11 in South Karnataka. The districts that need additional regulated market facilities as compared to the state levels are: Raichur, Koppal, Haveri, Dharwad, Mysore, Kodagu. D. Kannada, Shimoga, Davangere, Chitradurga, and Bangalore (U). Facilities are to be extended to the towns with specialized markets in chilli, maize, tur, onion, potato and mango. About 70 such sub-markets, of which 30 will be in North Karnataka and the rest in South Karnataka are required.

5. With growing marketisation, there is a need for transparency in market prices, arrivals and disposals. Farmers are to be made aware of the price structure and about the arrival patterns over the preceding weeks. This is indeed possible with the modernisation of the market yards with the introduction of IT system.

6. Linked with marketing, Commodity Boards with adequate credit facilities are to be set up for tur, cotton, chilli, coconut, areca and groundnut in selected major marketing and export-linked centres. The Commodity Boards can then guide the farmers regarding marketing facilities, export prospects and also act as a cushion on the price front.

7. As compared to other sectors, the credit flows to the agricultural sector in Karnataka are quite low. Further more, as many as 5 districts in North Karnataka and 8 districts in South Karnataka are lagging behind the state level in terms of per capita credit availability, and 4 and 10 districts respectively in terms of the number of agricultural cooperative societies.

8. At present the total agricultural credit gap in Karnataka is estimated to be of the order of Rs. 2500 crores per annum. HPC FRRI has made some preliminary estimates of total credit requirements to be about Rs. 5000 crore per annum. As against this background upto June 2001 only Rs. 1661 crore have been distributed through Kisan Credit Cards. In order to meet the credit gap through institutional financing, additional bank facilities are to be created. HPC FRRI is of the opinion that there is a need for more branches of commercial banks and another 5 Grameen Banks in the state, almost one in each district. (See Summary of Banking and Regional Imbalance for details)

9. At present the Agricultural Finance and Development Company located at Bangalore is not able to cover North Karnataka.

10. The extension services, training centres and farmers' self help groups are less in number many backward regions of the state. For instance, there are only two Rural Development Training Centres in South Karnataka, and only 7 Farmers Training Centres in North Karnataka. HPC FRRI recommends establishing of at least one Farmers' Training Centre in each district, and six more Rural Development Training Centres in the state. The number of additional Farmers' Training Centres required in North and South Karnataka are five and six respectively.

11. Karnataka enjoys a prominent position in the horticultural map of India. Horticultural products in large quantities are being exported from the state. HPC FRRI is of the opinion that horticulture is going to be the next best alternative to crop agriculture in Karnataka. But being an infant industry, with some support from the state government, the private sector can take it up. It has tremendous employment potential, it can use waste lands and involve the private sector. Horticultural development requires fast transport and cold storage facilities.

12. Horticulture development requires immediate attention by the government in setting up of cold storage facilities (atleast one in each district) for fish, flower, fruit and vegetable crops; providing air transport facilities; and setting up of export outlets (in Mysore, Chamarajanagar, Shimoga, Bijapur, Gulbarga, D. Kannada, U. Kannada, and Udipi) for floriculture, nuts and fruits; training centres in places such as Kodagu, Chamarajanagar, Chickmagalur, Bellary, Raichur, Bidar, Gulbarga, Belgaum and Gadag. HOPCOMS network should be expanded to all the districts with potentials for horticulture. This is to be supplemented by Private Sector units also.

13. Horticulture should be developed as an export industry and special training would be required particularly in North Karnataka in districts like Bijapur.

14. Karnataka is the premier mulberry silk producing state in India. There is ample scope to extend this activity to the entire state. The major steps required immediately are: establishing training centres in several districts such as Bellary, Koppal (in Yalburga taluka), Mysore, Chamarajanagar; reviving the Cocoon Centre in Malvalli taluka of Mandya district; subsidy for housing cocoon rearing and for multi end reeling machines.

15. HPC FRRI has identified a large number of talukas with the prospects for sericulture. They are Belgaum, Khanapur, Hukkeri, Bailhongal, Soundatti, Dharwad, Bhatkal, Yellapur, Karwar, Ankola, Supa, Sirsi, Kumta, Siddapura, Honnavar, Haliyal, Mundagod, Anekal, Shimoga, Sagara, Hosanagara, Thirthahalli, Shikaripura, Soraba, Chickmagalur, Mudigere, Shringeri, Koppa, Narasimharajapura, Sulya, Hassan, Alur, Belur, Sakaleshpura, and K.R.Pet.

16. HPC FRRI has noted some of the special problems of the forest regions of the state. Because of people's dependency on forests (and not so much on crop lands) and also not having any alternative developmental activities such as industry, some special considerations are required to redress their problems. Assured supply of electricity, access to forest resources for their livelihood, proper share in the forest produce and resources (water, hydro-electricity) in terms of reinvestment and employment generation in the region (out of income from timber) are to be assured.

17. Tourism linked to the forests in Karnataka has enormous potential, both as income and employment avenues for the local people. As many as 100 additional eco-tourist resorts can be developed in the forest regions of Malnad. Private sector can also be encouraged to set up water sports, adventure camps and the like. Kodagu, Chickmagalore, Dakshina Kannada, Udipi, Uttara Kananda districts should receive such opportunities.

18. The share of agriculture and allied activities in the Annual State Plans over the past one-decade has declined from 9.94 percent to 2.84 percent. There is an urgent need to step up outlay on agriculture particularly direct investment for improvement of land and its soils.

9. Animal Husbandry and Fisheries Development

1. The state has emerged as the third largest state in milk production in the country. But its growth is hindered by two major factors, namely availability of proper and timely veterinary services and assured supply of fodder. Significant shortages of veterinary infrastructure are noticed in 13 districts of Bangalore (rural), Chitradurga, Raichur, Koppal, Bidar, Bellary, Belgaum, Bagalkot, Udipi, Hassan, Chamarajanagar, Tumkur, and Shimoga. Of these, the deficiencies are severe in Belgaum, Raichur, Bangalore (Rural) and Bellary districts. At the taluka levels, as many as 83 talukas in the state suffer shortage in terms of veterinary institutions. By and large the shortages are more in the talukas of North Karnataka. In the hilly areas and Malnad areas, more of Mobile Van Clinics (MVC) should be established. Considering the fact that there are 13 districts or 61 talukas in Malnad region, a norm of two MVC per district may be adopted. Apart from the shortages, even several of the existing veterinary units are functionally deficient. The main problems seem to be vacancies of staff of a variety of categories. Development of animal husbandry in the state also requires a good set of veterinary colleges in the state. It is suggested to have one University of Veterinary Sciences established in Bidar, where there is already one veterinary college.

2. The area designated for fodder development is not at all sufficient in most districts. Mysore, Shimoga, Udipi, Bidar and Gulbarga districts specifically require much more demarcation and development of fodder areas. The wastelands development programme could take up developing more of fodder areas.

3. As far as dairying is concerned, the cooperative sector has already proved its potential in the state. It can be increased atleast by another 100 percent, making way for livelihood for another 5-10 lakh people. Secondly, the throughput of the cooperatives can also be increased substantially. That will also create additional jobs, more efficiency and reduce the costs of the cooperatives and make them profitable.

4. 318 additional veterinary institutions must be established. 20,000 hectares of land should be brought under fodder cultivation.

5. A separate Agricultural Finance and Development Company should be established for North Karnataka with its headquarters at Gulbarga.

6. Karnataka is rich in both marine and inland fishing with a coastal length of about 300 kms with a continental shelf area of 27,000 sq kms and exclusive economic zone (EEZ) of 87,000 sq kms, and about 3 million hectares of water spread area for inland fishing. The districts in which marine fishing is a major activity are Dakshina Kannada, Uttar Kannada and Udipi. Districts which are prominent and having potential for inland fishing are Shimoga, Tumkur, Mysore and Bellary, Raichur and to some extent Belgaum.

7. Fishery is life support for as many as 85,000 fishermen in the coastal areas, and another 2 lakh households in the inland areas. Development of cold storages, inland fishery and prawn pond development in the districts mentioned above, promoting shrimp culture, providing cold chamber transport system to export zones are to be introduced immediately.

10. Irrigation Development

1. The five major river basins, namely, Krishna, Cauvery, Godavari, several west flowing rivers, and North and south Pennar provide a total estimated catchment yield of 98,406 m. cum of rainfall water, about 48,000 m. cum of water is economically utilizable within the state. That is the main source of irrigation in the state. The state is also endowed with enormous ground water potentials with about 380 watersheds ranging from 300 to 1400 sq. kms. Of the total recharge of 1.40 million hectare meters about 0.50 million hectare meters are being exploited currently. Though Karnataka was pioneer in the development of irrigation systems even before state re-organisation, recent pace of developments of this resource however, has been lagging behind many other states in India, leading to regional imbalances in agricultural development.

2. Out of the total net area sown, about 25% is irrigated at present, almost equally in North and South Karnataka. Major, medium and minor (surface water) irrigation sources created so far are about 18.11 lakh hectares (by 2000-01), leaving a balance potential of about 11.63 lakh hectares to be completed in due course. Against these potentials, on an average, in both the Krishna and Cauvery basins, as much as 38-39 percent of the potential in the 'Ongoing major irrigation' projects, and 71 and 50 percent of potentials in 'Ongoing medium irrigation' projects are yet to be achieved. Once these projects are fully implemented, several districts in the Krishna basin (namely Belgaum, Bijapur, Shimoga, Bellary, Gulbarga, Chickmagalore, Chitradurga), Cauvery basin (Bangalore, Hasan, Kodagu, Mandya, Mysore, Tumkur) and in other basins (U.Kannada and Tumkur) will be the beneficiaries.

3. HPC FRRI is of the opinion that the major and minor irrigation potentials of the state should be fully completed within the next eight years. Among the major basins, development in the Krishna Basin and other basins such as Varahi Major and Mahadayi Medium are lagging behind. Apart from these basinwise delays in completing the irrigation projects, specific projects which are lagging far behind the expected completion time in North Karnataka are: Upper Krishna I and II, Hippargi, Ghataprabha III, Markandaya, Ramthala Lift, Bhima Flow, Bhima Lift, Upper Tunga II, Singallur, Itagi Saslwad, Basapur, Gandhorinala, Hodirayanahalla, and Kagna. Likewise, the serious backlogs in S. Karnataka are Hemavati, Yagachi, Taraka, Arkavaty, and Nanjapura. The delay in completing these projects has brought lots of hardship among the farmers, and deprived them development opportunities.

4. Against the irrigation potentials created, the actual utilization has also been quite low in the state as a whole. The net area under major and medium irrigation has been around 9.03 lakh hectares only, as against the created potential of 18.11 lakh hectares mentioned above. For instance, in North Karnataka the utilization rate is just about 32 percent, though about 70 percent of the estimated costs have been already incurred. Still a significant part of the potential is left in North Karnataka to raise the utilization rate. Therefore, some additional attention needs to be given regarding the better utilization of all the irrigation potentials created in the state. HPC FRRI suggests that several management and institutional mechanisms are required to reap the full

benefit of irrigation facilities created. The major ones are, timely credit facilities, creation of Water User Associations for better water distribution, and training the farmers in the utilization of irrigation with proper cropping patterns, and finally the well functioning marketing and storage facilities.

5. Minor irrigation has to be expanded further by taking watershed development as one of its arms. This way, problems of remote areas, areas deficient in major irrigation, Malnad regions, dry land regions of Hyderabad-Karnataka qualify for expansion under minor irrigation schemes. Both ground water and variety of surface water programmes can be introduced under this scheme, in hamlets and villages. There are several districts, outside of heavy rainfall regions, where additional major and minor irrigation facilities will have to be created. Bijapur, Dharwad, Gadag, Haveri, Gulbarga, Bidar, Tumkur and Chitradurga fall in this category. Apart from major and medium type irrigation structures, there is ample scope for lift irrigation in some of these districts.

6. There is enormous scope for exploiting ground water resources in Karnataka. Out of the total 'over developed' talukas in ground water exploitation, as many as 98 percent of them fall in Southern Karnataka. It is high time that attention is now diverted to North Karnataka to explore the ground water potentials. In order to balance the ground water exploitation, it is absolutely necessary to enhance the recharge structures all over the state, and particularly in North Karnataka.

7. Additionally, lift irrigation, watershed programmes, and well irrigation programmes will have to be enhanced in the irrigation water deficient regions. A start has been made in this direction by involving as many as 380 co-operative societies under the Jalasamdardhana Yojana. Their performance should be closely watched and monitored, to draw lessons for attaining regional balance in water distribution in future.

8. It is extremely important to recognize that it costs money to supply water. Introduction of user charges for investment towards groundwater recharging, construction of augmentation borewells and maintenance of canals are to be considered very seriously by the government.

9. For want of adequate funds all the programmes of Command Area Development Authorities (CADAs) have more or less come to a grinding halt. It is, therefore, suggested that some incentive may be given to CADAs to collect the arrears due to the banks. The Committee recommends authorizing the CADAs to utilize 50 percent of the collection of arrears in their area for local development. To achieve this, the CADA Act should be amended to give such powers.

11. Power Sector Development

1. Energy is both a basic necessity for productive uses and also to raise the quality of life. Among all forms of energy, the one, which is most directly connected with regional development is electricity. Assured electricity supply at all the pockets and hamlet levels is a must for improving the quality of life in a balance basis. This should be the prime objective of redressal of regional imbalances. Even at the state level, only about 37 percent of hamlets have been electrified, as against nearly 100 percent village-wise electrification.

2. The disparity in the power sector between North Karnataka and South Karnataka is quite alarming. Much of the disparity in industrial development and irrigation can also be attributed to the imbalance in the state of power supply. For instance, North Karnataka has nearly 24.21% of total minor irrigation works, the rest being in South Karnataka. The power consumption in North Karnataka in the year 2000-01 was 2313 million units (24.23%), and it was 7232 million units (75.77%) in South Karnataka.

3. Karnataka state is endowed with rich sources of alternative energies. The main alternative sources are wind, hydel, gohar gas, wind power and solar. There is a need to stress on these in pockets where the conventional power does not reach. The Karnataka Renewable Energy Development Corporation has initiated some processes as for development on these lines. They have to be streamlined and pursued.

4. It is time that Karnataka government should encourage the private sectors in different backward regions of the state to undertake power generation and distribution. Particularly in the power deficient mining regions of Karnataka such as Bellary-Hospet region, potential hydel power regions of Western Ghat region (districts of Chickmagalore, Kodagu, Dakshina Kannada, Udipi and Uttara Kannada), private enterprises are to be invited. Though the Government of Karnataka has issued the necessary order on 27th January 2000 to this effect, no progress has taken place on this so far.

5. The Power Tariff Regulation Authority should take note of the fact that there is a significant increase in T & D losses in the last two years (30 and 38% respectively). The cost of power generation has gone up by 100 % between 1994-95 and 2000-2001. Both these burdens are not necessarily be unloaded on to the consumers, unless, there are sufficient reasons to do so. Rather, improvements in the efficiency in production and distribution need to be addressed first, before talking of transferring the effects of structural and system inefficiencies to the consumers. In any case, differential subsidy based pricing for the poor fishermen, small and marginal farmers and domestic consumers is to be maintained, who have no options of passing the tariff burden on to others.

6. North Karnataka's share in power consumption must go up to atleast 40%. If necessary, 40% of power may be reserved for North Karnataka; unused power can always be directed to South Karnataka.

12. Industrial Development

1. Karnataka has always been on the list of highly developed industrial states, fifth in the country. However, the industrial development in the state has been quite uneven, and has caused considerable amount of anxiety among the people.

2. In terms of a large number indicators specific to the industrial sector, there is visible disparity between North and South Karnataka. In respect of SSI's, medium and large scale units, or KSFC's disbursements and KSIIDC financial assistance, and also in terms of projects cleared by HLC recently or development of KIADB's, North Karnataka is lagging far behind South Karnataka. The HLC has cleared only 14 projects for North Karnataka during 2000-01, where as 47 were granted in South Karnataka. KSIIDC assisted 20 units in North Karnataka during 2000-01, as against 62 in South Karnataka. Similar is the picture with KSFC disbursements (20% to North Karnataka). During 2000-02, 81 medium and large scale units came up in North Karnataka, as against 211 in South Karnataka. A weighted average of all these various industrial development indicators for North Karnataka is 28 % and 72% for South Karnataka. HPC FRRI is of the opinion that there is an immediate need to boost the industrial climate by providing the required infrastructure in North Karnataka, to wipe out the industrial disparity within ten years.

3. As per the HPC FRRI's study, as many as 66 talukas of North Karnataka and 62 of South Karnataka are behind the state average in industrial development. Among them, as many as 53 talukas in North Karnataka and 42 in South Karnataka are lagging behind the state level in respect of both infrastructure and performances. An equal number of twelve talukas from North and South Karnataka are below state average in respect of industrial infrastructure but above state average in industrial performance. Interestingly enough, six talukas from North Karnataka but as many as 23 taluks from South Karnataka are having their infrastructural amenities better than the state average but the performance poorer. Nine taluks from North Karnataka and 18 from South Karnataka are well above the state averages in both infrastructural amenities and industrial performance. All these imbalances are to be rectified to harmonise the industrial development of the state.

4. HPC FRRI recommends that international exploring agencies may be invited to explore the availability of high value minerals like gold reported to be available in Gadag and other areas. A thorough exploration would provide a strong base for developing minerals in the State, and IT expansion can help the development of industries to a very large extent.

5. Industrial development in Karnataka has already taken a new path of technology and promotion of IT and Biotechnology. It is time that every Division of the state shall have atleast one Advanced Centre in IT and biotechnology. Apart from these, District head quarters such as Mangalore, Shimoga also have the same potential, mainly to be developed with private sector involvement. A separate State Financial Corporation exclusively for North Karnataka has been recommended by the Committee in the Chapter under Financial Infrastructure to serve the credit needs of industry in the Northern region.

6. The HPC FRRI urges the Government to set up a combined Effluent Treatment plant in the public sector at Bidar so that industrialization of Bidar district, one of the most backward in the State, will gain some momentum.

13. Transport: Roads, Railways, Ports and Airways

1. Roads play a decisive role in initiating and accelerating the process of development in any given region. It has come to the notice of HPC FRRI that total road length comprising national high ways, State high ways, important district roads, other district roads and village roads, is not distributed among the regions, divisions, districts and talukas of the State in any balanced way. This is causing considerable amount of hardship in areas not accessible easily.

2. As many as 90 out of 175 talukas have road lengths less than the State average. Further, the backward talukas are at different distances from the State average, suffering different degrees of deprivation in road length.

3. There are 50 talukas in the more backward category and another 40 in the less backward category. Of these 90 backward talukas, 61 are in North Karnataka (30 in Belgaum division and 31 in Gulbarga Division) and 29 are in South Karnataka (19 in Bangalore Division and 10 in Mysore Division). HPC FRRI has made estimates of the additional funds required as given in Chapter 30, to cover this backlog of road deficiencies. Special allocation based on higher S.R.'s to construct and maintain roads in Malnad region is necessary.

4. Karnataka has one major port at Mangalore and nine minor ports in the districts of Uttara Kannada and Dakshina Kannada and Udipi. But development of Tadadi port will boost the exports from North Karnataka, provided the Ankola-Hubli railway line is also simultaneously developed. Equally important are the development of Bhatkal and Karwar ports.

5. There has been a major deficiency in North Karnataka region, in respect of air transport. Given the length and breadth of the state, there is a need to develop shuttle air services between major cities and Bangalore or neighbouring states. Airports in Mysore, Hubli, Belgaum and Gulbarga (to be constructed) should be made commercial, by encouraging private sector airlines with guarantee from the state on seat guarantee or assured minimum return basis, initially for about five years. Subsequently, the airlines will have developed their own marketing and tourist attractions to be on their own. Bangalore should be linked with all district headquarters by air services within 5 to 6 years in two phases of 2 or 3 years each.

6. HPC FRRI has carried out a detailed exercise to assess the need for additional railway network in the state (see Chapter 13 for details). There are serious demands by people on line conversions, doubling of railway tracks, new lines, direct trains and faster trains like bullet trains of Japan. HPC FRRI is of the opinion that most of these demands are very genuine and very basic. These should be taken up to redress the disparity in the state. A detailed map showing the transport network to be added to the existing facilities has been prepared and included in the Final Report to facilitate quick and instant appreciation of the need (See Appendix to Final Report).

14. Focus on Human Development

1. Regional imbalances in the levels of human development, among other things, are assessed by constructing a social infrastructure index. The Social Infrastructure Index (SII) is made up of two indices - Health Infrastructure Index (HII) and Education Infrastructure Index (EII). In all, seven indicators (three of health and four of education) of development / backwardness have gone into SII. The State Average has been considered as bench mark for the assessment of backward taluks. Actual values of state average for these seven indicators are as follows:

- S1. No. of doctors (government and private) per 10,000 population - 3
- S2. No. of government hospital beds per 10,000 population - 8
- S3. Literacy rate (in percentage) - 67.04
- S4. Pupil-teacher ratio (1 to 10 Std.) - 34
- S5. Percentage of children out of school in 6-14 age group - 10.03
- S6. No. of Students in government and aided first grade degree colleges per lakh population - 669
- S7. Percentage of habitations having drinking water facility of 40 or more LPCD - 56

2. Using the state average value of SII as the benchmark, the taluks were classified first into relatively developed and backward, and then the backward taluks into three categories, viz., Backward, More Backward, and Most Backward, with a view to facilitating resource allocation on priority basis. The relative positions of North Karnataka Region (NKR) and South Karnataka Region (SKR) in regard to the three backward categories of taluks are shown below.

Social Infrastructure Index: Relative Positions of Regions by Backward Categories

(Nos.)

Sl. No.	Category of Backward Taluks	Regions		Karnataka
		SKR	NKR	
1	2	3	4	5
1	Backward Taluks	32 (82.05)	07 (17.95)	39 (100.00)
2	More Backward Taluks	22 (57.89)	16 (42.11)	38 (100.00)
3	Most Backward Taluks	02 (5.26)	36 (94.74)	38 (100.00)
	Total	56	59	115

3. From these figures, it can be seen that even though backwardness is all pervasive, its incidence is more pronounced in NKR among the regions.

15. Health Infrastructure

1. Health Infrastructure Index (HII), comprising three indicators - doctors, beds in government hospitals, and drinking water - is used to assess regional imbalances in health facilities. The State Average has been considered as bench mark for assessment of backward taluks. Actual values of State Average (i.e, Bench Mark) for the above indicators are 3, 8 and 56 respectively. In this case too, the taluks were first divided into two broad categories - relatively developed and backward - and then the backward taluks into three categories viz., Backward, More Backward, and Most Backward. The assessment shows that NKR lags behind SKR in terms of health facilities.

Health Infrastructure Index: Relative Position of Regions by Backward Categories (Nos.)

Sl.No	Categories of Backward Taluks	Regions		Karnataka
		SKR	NKR	
1	2	3	4	5
1	Backward Taluks	24 (60.00)	16 (40.00)	40 (100.00)
2	More Backward Taluks	24 (60.00)	16 (40.00)	40 (100.00)
3	Most Backward Taluks	06 (15.38)	33 (84.62)	39 (100.00)
	Total	54	65	119

2. The data show that the intensity of backwardness is on the higher side in NKR when compared with SKR [For the names of districts and taluks please see Table 15.2]

3. Except for some variations in the number of taluks distributed across the regions, the disparity situation is almost the same, when we assess regional imbalances with reference to each of the three indicators that have gone into HII. Even from this exercise NKR emerges as the lagging area.

4. North Karnataka has no advanced facilities for treating mental disorders and for promoting mental health. They have to come to NIMHANS, Bangalore. Therefore, the Committee feels that the Mental Hospital at Dharwad already upgraded as NIMHANS, coming under the control of the NIMHANS, Bangalore, should be fully developed on the lines now witnessed in Bangalore NIMHANS. Funds for this purpose will come mostly from the Government of India but the State Government should provide for a matching grant and this will strengthen the State's demand for making the NIMHANS at Dharwad a first-rate institution like the one that exists at Bangalore.

16. Education Infrastructure

1. Regional imbalances in education are assessed by constructing an index of education by using four indicators viz., literacy rate, pupil-teacher ratio, out of school children, and enrolment of students in degree colleges, and taking state average as benchmark. Actual values of State Average for the above mentioned indicators are 67.04, 34, 10.03 and 669 respectively. Keeping the state average value of the Education Infrastructure Index (EII), the taluks were first divided into relatively developed and backward, and further the backward taluks were divided into three categories, viz., Backward, More Backward and Most Backward taluks. When we consider the relative shares of NKR and SKR in the three backward categories, the former emerges as the lagging region.

Education Infrastructure Index: Relative Position of Regions by Backward Categories

Sl.No.	Categories of Backward Taluks	Regions		Karnataka
		SKR	NKR	
1	2	7	8	9
1	Backward Taluks	03 (27.27)	08 (72.73)	11 (100.00)
2	More Backward Taluks	02 (18.18)	09 (81.82)	11 (100.00)
3	Most Backward Taluks	Nil (00.00)	10 (100.00)	10 (100.00)
	Total	05	27	32

(Nos.)

2. When we assess regional imbalances with reference to each of the four indicators that have gone into the EII, the outcome is the same. Except for a few variations in the number of taluks distributed across regions, NKR emerges as the lagging area in Karnataka.

3. The inquiry into the regional distribution of educational institutions shows that NKR's share in all the five categories of institutions considered is less than the share of SKR. The data presented in Table 16.11 show that NKR lags behind SKR not only with reference to the number of educational institutions but also with reference to the number of government, private (aided) and private (unaided) educational institutions.

4. In our analysis of the educational infrastructure and the Grant-in-Aid policy towards private educational institutions, we have observed that the recent changes or announcements or policy statements on Grant-in-Aid are affecting very adversely the private institutions in North Karnataka. Since Government institutions, whether primary, secondary or higher education, are far less in North Karnataka compared to South Karnataka, any hurried revision of the Grant-in-Aid policy may spell unfortunate consequences like the closure of private institutions thereby depriving the people of the

backward taluks the much needed access for human development. The Committee would urge the Government not to rush through any such changes in Grant-in-Aid policy, which may blunt the role of the private sector. The Committee favours the setting up of primary and secondary schools or pre-university colleges by the Government in some areas of North Karnataka where there is a felt need.

5. In the matter of primary education, there should be no village without a primary school. However, in recent years, Government has been pursuing a policy of closing down schools where the number of students is below 40. There are some instances where the Government has also unnecessarily duplicated schools or where there are already such institutions functioning in the private sector. This has only led to grater imbalances between urban and rural areas apart from wastage of resources. Also, it is felt that in particular areas children seek Kannada medium but their number will be less compared to those who prefer English as medium of instruction. This has resulted in inadequate number of schools compared to the need. This is so both in North Karnataka and South Karnataka. That such a situation obtains at a time when Government talks of promoting and developing Kannada. It is urged that the norm of 40 children should be relaxed in the case of Kannada medium sections. Also, if a demand comes from any area for a primary school where about 40 students are available, Government should automatically sanction such schools provided the Taluk Panchayat or the Village Panchayat is prepared to meet at least 10 percent of the recurring expenditure.

6. The Committee has been impressed by a proposal in Andra Pradesh, which is intended to permit the setting up of a medical college in each district. The advantage is that a hospital attached to a medical college will automatically possess high-tech equipment and the latest facilities for medical treatment. This may also contribute to the reduction in regional imbalances in the matter of medical education and treatment facilities. In view of this HPC FRRI recommends that Government of Karnataka may consider the Andra Pradesh model and permit liberally the establishing of medical colleges with the objective of having one Medical college in every district of the State.

17. Rural Water Supply and Sanitation in Karnataka

i. Rural Water Supply

1. Provision of safe and adequate drinking water to all households in the rural areas has been a major priority of the Government of Karnataka for a number of years now. According to the national norm, a daily supply of 40 litres per capita (lpcd) is the minimum requirement of water for domestic purpose for people in rural areas. However the State government has adopted a higher norm of 55 lpcd in rural areas (as per the resolution in the conference of Chief Ministers held in 1996) throughout the state except in the Desert Development Programme districts like Bellary, Raichur and Bijapur, where 70 lpcd is recommended as the norm (including the water requirement of live stock).

2. On account of the State investing Rs.1398.76 crore under the State's Own Minimum Needs Programme from 1991 to 2001 and the investment made under the centrally sponsored Accelerated Rural Water Supply Programme and other schemes in the earlier years (mainly in the eighties) it has resulted in installation of 14095 piped water supply schemes, 17022 mini water supply schemes and 1.71 lakh borewells with hand pump schemes at the end of March 2001. Besides, the State has also implemented the four externally aided projects of Rural Water Supply and Sanitation programs (with the assistance of the World Bank, Netherlands and two projects of DANIDA) at a total cost of Rs.674.67 crore in 2523 villages (A second project with the assistance of the World Bank called 'Jal Nirmal' with an outlay of Rs.1035.37 crore has also been taken up in 2001 to provide water supply and sanitation to 2100 villages in eleven districts of North Karnataka).

3. Out of the total expenditure incurred in the State for Rural Water Supply under MNP and ARWS since 1990, North Karnataka accounts for a share of 42% as against 58% in South Karnataka. Similarly, the number of villages benefited from externally aided projects in North Karnataka account for only 24% as against 76% of villages belonging to South Karnataka.

4. Among the schemes of water supply implemented in the State, South Karnataka and North Karnataka account for 55% and 45% of the total number of piped water supply schemes, and 38% and 62% of the schemes implemented in respect of each Mini Water Supply and Borewell Water Supply projects. The percentage of habitations served with less than 40 lpcd is more or less equal in both the regions.

5. As per the information of the Department of Rural Development and Panchayat Raj, there are only 28% of the rural habitations in the State having less than 40 lpcd of water supply. But according to a study of actual working of the rural water supply schemes conducted by the Directorate of Economics and Statistics in the year 2001, 62% of the habitations have less than 40 lpcd of water supply and 43% experience shortage of water during the summer period.

6. Important factors responsible for non-functionality of rural water supply schemes are non-supply of adequate power, poor quality of maintenance by the panchayats, low level of participation of the user communities and poor quality of planning and execution of water supply schemes.

7. About 97% of all rural water supply schemes implemented in the State depend upon ground water. But dissatisfaction among people has been growing in the recent past due to frequent failure of borewells / drying up of water in borewells / underground water level going down continuously and also due to increase in the level of flouride and other contaminations in drinking water making it unfit for drinking.

8. The over exploitation of ground water has reached critical levels in many taluks of the State with 21 taluks (18 taluks in South Karnataka and 3 taluks in North Karnataka) being classified as 'Dark' areas with over 85% of exploitation, and 22 taluks (15 taluks in South Karnataka and 7 taluks in North Karnataka) being classified as 'Grey' areas with over 65% to 85% exploitation.

9. From the results of testing of all ground water sources for quality, about 37% of the habitations are facing quality problems like excessive salts and minerals making the water brackish and hard, and the presence of flouride beyond acceptable level. As per the preliminary results of the study undertaken by the Department of Rural Development and Panchayat Raj, drinking water sources in large areas of the districts of Kolar, Tumkur, Chitradurga, Bellary, Gadag, Koppal and Gulbarga have a high level of flouride concentration which poses a serious threat to health and well-being of people in rural areas.

ii. Rural Sanitation

10. Poor Sanitation is a reflection on the socio-economic development of rural areas. It is one of the most visible signs of backwardness of villages. Access to sanitary latrines remained at a low level in rural areas of the State with less than 10% of households in the villages having the facility. The districts which have access to toilets at less than the State average are Bangalore (R), Chitradurga, Tumkur, Hassan, Mandya, Mysore, Belgaum, Bagalkot, Gulbarga, Bidar, Bellary and Raichur (out of 20 old districts).

11. Though construction of sanitary latrines in rural areas was undertaken under Central Rural Sanitation Programme (CRSP) from 1985 to 1994-95, the State Nirmal Grama Yojana (NGY) from 1994-95 to 1999-2001 and total village sanitation since 2000-01, not much dent has been made into the rural sanitation problem effectively. The total village sanitation programme with focus on promoting integrated sanitation in the villages aimed at a sanitation services coverage of about 30% of rural population in a period of five years commencing from the year 2000-01. It is intended to reach fifty percent of rural population with access to rural latrine sanitation by 2005-06. This figure is arrived at, taking into account more than ten percent of the population who have already access to sanitation at present, the ten percent of the population who would acquire these facilities by their own efforts and 30% under total village sanitation programme.

18. Urban Water Supply and Sanitation in Karnataka

I Urban Water Supply

1. The fast growth of urban population from decade to decade in the last century, constrained the Statutory Bodies like city corporations, town councils / municipalities / town panchayaths / urban agglomerations from coping with the rising demand for drinking water and drainage facilities. In order to meet these requirements, the Karnataka Urban Water Supply and Drainage Board (KUWS & DB) was constituted which began functioning from August 1975. The KUWS & DB is responsible for designing, planning, implementing water supply and under ground drainage (UGD) schemes for all major towns / cities in the State except Bangalore city. The Bangalore Water Supply and Sewerage Board (BWSSB) has the responsibility of providing drinking water and UGD facilities to Bangalore City agglomeration.

2. KUWS & DB has extended its jurisdiction over 208 urban areas. Since its inception, it has commissioned 336 water supply schemes and 27 underground drainage schemes at a total cost of Rs. 732.62 crore. Thus, it has provided potable drinking water to 78% of urban population and under ground drainage facilities to 24% of urban population. Its jurisdiction extends all over the state and therefore it is unmanageable, if the needs of North Karnataka are to be met.

3. Out of 208 towns (103 towns of South Karnataka and 105 towns of North Karnataka) covered by KUWS & DB, drinking water supply schemes have already been implemented in 126 towns (62 towns of South Karnataka and 64 towns of North Karnataka). Out of the remaining 82 towns, the work is in progress in 69 towns (34 towns of South Karnataka and 35 towns of North Karnataka) and the new schemes are expected to be taken up in 13 towns (7 towns in South Karnataka and 6 towns in North Karnataka).

4. The criterion accepted for adequate water supply is 135 litres per capita daily (lpcd) for towns with the population above one lakh, 100 lpcd for towns with population between 20,000 and 1,00,000 and 70 lpcd for towns up to 20,000 population. If we take into consideration the norms mentioned above, as many as 184 towns out of 208 towns i.e, 88 % of towns in the State do not have adequate water supply. The percentage of towns with inadequate water supply in North Karnataka (92%) is higher than that in South Karnataka (84%).

5. BWSSB is providing 690 MLD to Bangalore city, which is grossly inadequate to the fast growing population. The per capita water supply comes to about 80 to 100 LPCD. The Board is currently implementing Cauvery Water Supply Scheme Stage-IV Phase-I project so as to bring additional 270 MLD of potable drinking water to Bangalore. The project is expected to be commissioned by May 2002.

II Urban Sanitation

6. Improved sanitation in urban areas is necessary to improve the quality of life of the people. Underground drainage system is utterly in bad shape especially in those towns belonging to North Karnataka. Underground drainage facilities have already been provided in 36 towns, out of which 15 are in North Karnataka and 21 are in South Karnataka. Work is in progress in 8 towns of North Karnataka and 11 towns of South Karnataka. There are about 162 towns yet to be covered under the drainage system out of which, 76 are in South Karnataka and 86 are in North Karnataka.

7. HPC FRRI recommends setting up of a separate State Urban Water Supply and Drainage Board for North Karnataka with its headquarters at Gulbarga.

19. Imbalances in Urban Development and Housing

1. Urbanization varies very much from one region to another and from one district to another. Consequently, some cities can provide a high level of civic services while others may not be able even to provide the minimum. Removal of urban imbalances in the matter of civic amenities becomes a matter of equity and justice that the Government have to render to its citizens.

2. Urban population in Karnataka is 34 per cent and is higher than the All India position of 28 per cent. The growth of urban population is about 29 per cent during 1991-2001. Hyderabad-Karnataka has comparatively high proportion of urban population. There are 427 slums notified as per the latest Census in North Karnataka as against 399 slums in South Karnataka. Leaving Bangalore, the highest number of slums are in towns like Hubli-Dharwad, Hospet and Bellary. The living conditions in the slums of North Karnataka have been observed to be much worse than what obtains in South Karnataka.

3. Urban services cover water supply, sanitation, roads, streetlights, surface drainage which are very essential for organized public life. Other services like educational institutions, health services, market, bus terminals, hotels, etc. also come under the urban services. There are nearly 224 Urban Local Bodies (ULBs).

4. In North Karnataka 68 ULBs provide below norm basic services like water supply and of Pourakarmikas. Several ULBs are below the norm even in street lighting. The number of ULBs providing below norm basic services in South Karnataka is very much less. In the matter of other facilities like bus terminals, markets, parks and playgrounds, it is found that excepting the quality of municipal markets, North Karnataka is worse off compared to South Karnataka in the quality of civic amenities.

5. The State Government has adopted an Urban Policy and among others it aims to promote equitable and balanced urban growth both in terms of facilities and population. This is yet to be achieved. Other big cities like Gulbarga, Mangalore, Mysore, Hubli-Dharwad, Belgaum, Bijapur, Bagalkot, Raichur, Tumkur and Davangere should be developed into good urban cities and towns.

6. ULBs, by and large have very poor capacity. This is mostly due to lack of adequate resources. The per capita expenditure in Bangalore is Rs.1, 200, in Mysore Rs.882 but in Gulbarga it is Rs.327. Gulbarga City Corporation per capita revenue is Rs.448 as against Rs.1189 in Ban galore City Corporation and Rs.981 in Mysore City Corporation. Government should take a pro-active role in building up the capacity of the ULBs if they are to come up on par with others in the State through focused and consistent programmes and substantial investment.

7. The present obsolete administrative procedures have to be reviewed and reformed and they should also have more of competent technical staff. Apart from inadequacy of funds, the criteria for financial share from the State resources on the recommendations of the State Finance Commission will have to be reviewed so that adequate revenues can be raised not only from local taxes but also through grants which reflect the needs of civic services and facilities. ULBs must get proper guidelines from

the Directorate of Municipal Administration at the State level. Perhaps, at the District level, the Deputy Commissioners may be involved in the review of their programmes.

8. The Town Planning Act is presently applied to 97 urban areas and they are more or less equally distributed between North and South Karnataka. The Town Planning process is very unsatisfactory and needs improvement, especially, in the matter of land use and enforcement of minimum requirements of space and setbacks. HPC FRRI recommends that the Town and Country Planning Act should be extended to cover all the 224 urban areas and effectively enforced. We also recommend a one-time grant of Rs.15 Crores each for District Headquarters like Gulbarga, Belgaum, Raichur, Chamrajanagar and Bellary and a one-time grant of Rs.10 Crores each to Bijapur, Bagalkot, Bidar, Uttar Kannada, Koppal, Gadag, Haveri and Tumkur. The Municipal Councils must be empowered to levy reasonable **Special Development charges** for improving civic amenities in their area. There is an urgent need for carrying out improvements in the slums to provide the basic civic amenities. Therefore, HPC FRRI recommends that Rs.100 Crores should be provided for this purpose to Slum Clearance Board out of which 60 % is to be earmarked for North Karnataka.

9. A detailed study of the ULBs is needed so that it will help in developing appropriate structures and policies to improve their functioning. Tamil Nadu and Maharashtra seem to offer a good model to follow.

10. For want of relevant and reliable data on Housing by taluks, the Committee has been constrained to make only a few general observations on the inadequacy of housing in the different regions or districts of Karnataka. According to a recent survey, 14 lakh households in the State had neither sites nor houses and another 8 lakh households had only sites but not houses, taking the backlog to 22 lakh households.

11. The highest urban housing deficit is in Dharwad, Gulbarga, Belgaum, Bellary and Mangalore Districts. Mandya and Bidar districts have also a housing deficit ranging from 25 per cent to 27 per cent.

12. In North Karnataka the housing shortage is higher than in South Karnataka. Leaving out Bangalore Urban, most of the districts in North Karnataka cry for more houses. In South Karnataka, Mysore, Tumkur, Kolar, Mandya and Chitradurga have disparities lower than some of the above-mentioned districts of North Karnataka. About 2.42 lakh SC persons and about 8,000 ST persons are reported to be houseless and about 2.18 lakh SC persons and about 68,000 ST persons are reported to be siteless. Broadly, the SC and ST houseless and siteless persons are more in South Karnataka than in North Karnataka. The HPC FRRI recommends that a re-survey of the houseless and siteless persons be done in Karnataka to get an accurate picture, both district-wise and taluka-wise, to facilitate appropriate policymaking and programme implementation. The Committee has appreciated the housing policy recently announced by the Government.

13. Although National Housing and commercial Banks are flushed with funds, housing finance in the State cannot be considered as adequate. To make up the deficiencies in rural areas the Committee recommends additional funds as shown in the proposed **Eight-Year Special Development Plan**.

20. Banking and Regional Imbalance

1. Notwithstanding a steady improvement in the extension of banking network to unbanked areas in the state, rural areas comparatively lag behind urban areas and North Karnataka lags behind South Karnataka in the level of banking facilities. Also the situation is relatively worse in rural areas of North Karnataka than their counter-parts of South Karnataka. This is evident from the following:

Average population ('000) Per Branch, 1996

Region	Rural	Urban	Total
South Karnataka	12	8	10
North Karnataka	16	8	13
State	14	8	11

2. It is quite revealing that 218 centres recommended for branch expansion by the Planning Department, Government of Karnataka as far back in 1975 do not have a bank branch even now (Names of these 218 centres are given in Annexure 20.1). Moreover, 158 centres out of these 218 deprived centres (that is 72 per cent) are concentrated in North Karnataka. The focus in branch expansion has shifted relatively more in favour of urban areas than the rural areas in the very recent years. A possible way of reversing this setback is to enhance the role of Regional Rural Banks (RRBs) by creating five new RRBs, two in South Karnataka and three in North Karnataka as shown below:

5 new RRBs	
3 in North Karnataka	2 in South Karnataka
one for Raichur and Koppal Districts	one for Bangalore(Rural) District
one for Gadag and Bagalkot Districts	one for Hassan district
one for Belgaum District	

3. By doing so, we would be extending the network of RRBs to all the districts (one RRB for each district) in the state. This measure should be accompanied by a restructuring of stakes of partners as shown below, to give fillip to the state / local effort in supervising the functioning of RRBs in meeting the rural credit needs.

Stake holder	Existing	Proposed
State Government	15 per cent	30 per cent
Central Government	30 per cent	15 per cent
Sponsor branch	55 per cent	55 per cent

4. The total credit gap of Karnataka's economy for 2001-02 is expected to be of the order of about Rs 2500 crore with nearly 80 per cent of this gap pertaining to agriculture and allied sector. There is appalling evidence that penetration into the farming sector by banks through agricultural credit is very inadequate. While the per branch business for the state as a whole as of 31st March 2000, was Rs 14.46 crore, it was significantly lower at around Rs 5.02 crore in rural branches. Also the share of SC and ST advances in the total advances by the commercial banks was a meagre 2.3 per cent as at September 2001. Therefore unless the banking sector intensifies its efforts, it cannot meet satisfactorily the credit requirements of Karnataka's economy in general and of its rural economy and deprived sections in particular (Para 20.5). C-D ratio at the state level has registered a declining trend over the years from 91 per cent in 1990 to 62 per cent in 2000. As of March 2001, 58 taluks (31 taluks in South Karnataka and 27 taluks in North Karnataka), that is about 1/3 of the total taluks in the state operated below the general norm of 60 per cent indicated by the RBI. The problem of overdues, among others, has indeed been a constricting factor for the banks in expanding their role in rural credit. The problem of overdues however, may be traced to the poor market framework, credit structure and unremunerative prices which prove to be stumbling blocks for generating adequate incomes to the producers so as to be able to repay the bank loans. Effective implementation of a fair minimum support price policy helps in recycling the bank credit.

5. In the wake of new economic reforms in the country, priorities and preferences of banks have been distorted, constraining their role in financing the backward / rural areas. These very developments ironically place an increased burden on the RRBs to play a pivotal role in providing finance for backward / rural areas: A reassertion, rejuvenation and structural strengthening of RRBs is required for this social cause.

21. Co-operatives and Regional Disparities

1. Co-operatives have a special advantage in the sense that apart from giving credit they can provide organizational framework for industry and services. They have made their existence felt in Karnataka's economy. The composition of the State Co-operative sector reveals that Milk Co-operatives dominated with 31 % share, agricultural credit co-operatives came second with 18 % share and non-agricultural credit co-operatives had 11 % share. Traditional sectors like Consumer Marketing and industries have lost the ground with negligible share.

2. There is glaring regional imbalance in the co-operative development in the State. It is surprising that comparatively Co-operative Development has achieved the top four ranks in districts like Dharwad, Belgaum, Bijapur and Gulbarga, assessed to be the backward districts. The development of co-operatives is lagging behind in South Karnataka. The Co-operative sector has extended credit of about Rs.1,000 Crore as against Rs.1,500 Crore advanced by the commercial Banks.

3. Among the beneficiaries 38 % are Small and Marginal farmers, 16 % are agricultural labourers and 5 % rural artisans. Scheduled castes have received 12.5 % and 12 % are women beneficiaries. Co-operatives can initiate activity where there is imbalance and they have a positive role in reducing the regional disparity by providing jobs to women, helping the poor and weaker sections and reduce the gap between urban and rural areas apart from decentralizing power and authority. The total deposits in urban Co-operative Banks in Karnataka was Rs.5,273 Crore in March 2000. The mix of deposits indicates that urban Co-operatives Bank have mobilized only long term deposits at high costs sacrificing their profitability. The Co-operative Agro Processing Segment has a mixed picture in its business performance. Except Sugar and Dairy Co-operatives, others have not come up to the expectations. Oil Seed Growers Co-operatives and Co-operative Spinning Mills have become very weak organizations. However, they hold high prospects if managed properly. Although the Co-operatives may have incurred losses, they have proved as an effective instrument for bringing better returns to the farmer and also offer easier access to inputs.

4. Co-operatives have neglected human resource development. This has affected the quality of leadership, which is crucial to development. There is a need to establish Oil Seed Co-operatives in South Karnataka. The Co-operative sector in the State has both strengths and weaknesses. Their future depends upon their competence and capability to serve the customers better. Co-operative leadership, professional management and participative membership are needed to make the Co-operative movement a successful enterprise.

5. There is a need for restructuring the Co-operative organization in the State by amalgamating the State Agriculture and Rural Development Bank offering long term credit with a two-tier system with the Apex Co-operative Central Bank with a three-tier system so that there can be a single window agency for the farmers with lower interest rates. The recent measure initiated by the State Government to make the short-term credit flow in a two-tier system reducing thereby the interest rate by nearly 3 % is commendable. However, the recent amendments to the Co-operative Act have somewhat affected adversely their development. Government may review the impact of the amendments to apply correctives, if needed, to strengthen the co-operative system.

22. Financial Institutions and Regional Disparities [Other than Commercial Banks, Regional Rural Banks and Co-operatives]

1. The manner in which the assistance received from Financial Institutions (other than Commercial Banks, RRBs and Co-operatives) for development activities is distributed across the regions exerts its own impact on regional disparities. Its analysis, therefore, becomes quite instructive for regional planning and administration. We present the salient aspects, with the focus on regional disparities of financial assistance to Karnataka by All India Financial Institutions (AIFIs), Karnataka State Finance Corporation (KSFC), Karnataka State Industrial Investment and Development Corporation (KSIIDC), National Bank for Agriculture and Rural Development (NABARD), under Rural Infrastructure Development Fund (RIDF), Housing and Urban Development Corporation Ltd. (HUDCO) under infrastructure related project loans, Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) under urban infrastructure development and finally 'externally assisted projects'. Relevant data in a concise form are shown in the tables given in this section.

2. Karnataka's position in the country in respect of cumulative financial assistance received from individual AIFIs (sanctions as well as disbursements) up to end of March 2000 ranges from the third to the tenth. If the states were to be roughly divided into three equal bands, Karnataka finds its place in the upperband in respect of assistance sanctioned and disbursed by the individual AIFIs. In terms of per capita cumulative sanctions and disbursement by individual AIFIs, Karnataka is above the national average with the exception of Industrial Investment Bank of India Ltd. (IIBI), Venture Capital Funds Ltd. (IVCF), Life Insurance Corporation (LIC), Unit Trust Of India (UTI) and General Insurance Corporation of India (GIC) institutions.

3. Bulk of the share in cumulative sanctions by KSFC went to South Karnataka, thus bringing out the aspect of regional disparities in this respect. A lion's share of credit facility extended by KSIIDC up to March 2000 was also claimed by South Karnataka and within it by Bangalore district in particular. With regard to NABARD assistance under RIDF, North Karnataka accounted for 59 per cent share, while South Karnataka accounted for 41 per cent share in the State total.

4. About 44 per cent of the infrastructure related project loans sanctioned by HUDCO during 1997-98 to 2001-2002 was claimed by projects benefitting both North Karnataka and South Karnataka regions. Out of the remaining project loans, districts in North Karnataka received 27 per cent and those in South Karnataka 73 per cent. This leads us to the inference that the Government of Karnataka has not utilised the infrastructure-related project loans from HUDCO from the perspective of redressing the regional imbalances.

5. The focus of Karnataka Urban Infrastructure Development and Finance Corporation has been on developing the towns belonging to South Karnataka. Nevertheless a mention may be made of the recent projects under which a few towns of North Karnataka have been taken up for urban development.

6. Shares of North Karnataka and South Karnataka in the total cost of the externally assisted projects stood at 3 per cent and 21 per cent respectively. The remaining 76 per cent of the project cost was shared by projects common to both the regions: viz. South Karnataka and North Karnataka.

7. Sanctions from AIFIs and Karnataka Financial Institutions are captured in the following:

AIFIs : Sanctions and Disbursements up to end March 2000

(Amount in Rs. Cr.)

All India Financial Institutions						
AIFIs	Cumulative Sanctions up to end March 2000			Cumulative Disbursements up to end March 2000		
	Karnataka	Percent to All-India	Rank	Karnataka	Percent to All-India	Rank
IDBI	135850.0	7.0	6	89004.20	6.9	6
IFCI	26539.0	6.2	7	23587.40	6.0	7
ICICI	119653.5	6.2	5	78837.00	6.9	4
SIDBI	32665.8	8.4	4	27266.80	8.9	4
IIBI	5047.7	5.0	7	3618.10	5.0	6
IVCF	66.2	4.3	9	66.20	4.5	8
ICICI venture	818.2	17.4	3	726.60	17.8	3
TFCI	1155.6	5.9	6	511.70	4.4	10
LIC	8975.2	3.1	7	6952.80	2.7	7
UTI	13695.2	2.6	3	6180.20	1.6	5
GIC(1999-2000)	102.0	1.1	10	214.50	2.8	5
AIFIs	34804.50	6.1	5	23930.85	6.1	6

Karnataka : Assistance by various Financial Institutions

Financial Institutions	North Karnataka (Percent)	South Karnataka (Percent)	State	
			(Percent)	Amount (Rs. Cr.)
KSFC: Cumulative Sanctions up to end March 2001	25.5	74.5	100	5090.85
KSIIDC: Cumulative Assistance up to end March 2000	26.4	73.6	100	2122.37
NABARD: Assistance Sanctioned under RIDF I to VI	59.4	40.6	100	1555.53
HUDCO: Infrastructure-related Project loans 19997-98 to 2001-02	15.3	40.6	100*	2270.67
Externally Assisted Projects: under Implementation during 2001-2002	3	21.5	100*	6517.95

* See Chapter 22 for details

23. Science and Technology for Development

1. Technology has been at the heart of human progress ever since the emergence of humans on the planet earth, and continues to be so today. The much talked about global village of instant communication and abundant information is a product of technological progress. The recent digital, genetic and molecular breakthroughs are pushing forward the frontiers of how people can use technology to eradicate human poverty / capability-deprivation. These technologies have come to create new possibilities for improving health and nutrition, expanding knowledge, stimulating economic growth and empowering people to participate in their communities. But technological progress and technology-supported economic growth, per se, do not trickle themselves down into the lives of the people across regions; they have a tendency to concentrate themselves in certain regions and thereby cause regional imbalances. As such, technological progress ought to be consciously converted into human development.

2. Karnataka is India's pride. By its extra-ordinary contribution to the advancement of science and technology and its two frontier areas – Information Technology (IT) and Bio-Technology (BT), the State has secured a pride of place in the global map of science and technology. But these hi-tech knowledge-based activities have come to concentrate themselves in and around Bangalore and in a few places outside Bangalore. In the opinion of the Committee an assessment of regional imbalances of these activities may also provide some explanation for imbalances in socio-economic development.

3. We do find regional imbalances in the dispersal of programmes meant for promoting science and technology in different parts of the State. The Karnataka State Council for Science and Technology (KSCST) has so far implemented 12 such projects in the State. It is interesting to note that North Karnataka Region is better placed than South Karnataka Region in two important programmes – Students Projects Programme and Rural School Science Centres.

4. As far as IT and BT are concerned, we do find glaring regional imbalances. To a great extent these hi-tech activities are confined to three or four districts, of course with heavy concentration in Bangalore. The Government has been taking measures to disperse these activities across both the regions – SKR and NKR. It has been endeavoring to set up Earth Stations at Mysore, Manipal, Hubli and Mangalore, an IT Park at Hubli, and developing Dharwad into a Science city. Efforts are also being made simultaneously to develop the infrastructure – physical, human and financial – required for the dispersal of these activities.

5. In addition to the measures initiated already by the Government, HPC FRRI recommends the need to take some more measures to disperse IT activity across all the districts as follows:

6. The incubation centres should be set-up in all the districts.

7. The Earth Stations will take care of the band-width of the IT companies. But to attract more IT companies, other infrastructure facilities like roads and air connectivity need to be developed connecting Bangalore and Hubli, Mumbai and Hubli, and Bangalore and Gulbarga. Gulbarga need also be considered for the establishment of an Earth Station.

8. IT Investments can be attracted to Hyderabad-Karnataka (HK) region by developing roads of international standards connecting Hyderabad and the district headquarters of Bidar and Gulbarga districts. They are also to be connected by air.

9. The incentives announced by the New Industrial Policy of 2001-06 of – investment subsidies to all new IT industries, additional subsidies to special categories of entrepreneurs like SC / ST and women, 100% exemption from stamp duty for all types of documents executed by IT industry, special concessions for exports, waiver of conversion fee etc. – ought to be extended to the entire North Karnataka Region.

10. In addition to establishing an I.T. Park in Hubli, it would be desirable, from the point of view of regional dispersal, to consider Gulbarga and Bagalkot for the establishment of I.T. Parks.

11. Information Technology may be very effectively used in strengthening and deepening the roots of grass roots level decentralized governance and planning. If it is to become farmer-friendly, it has to be used to provide the latest information on weather conditions, prices of agricultural and horticultural products, latest developments in farm-practices etc., to the farmers in rural areas.

12. With such short term and long term measures, the IT industry, despite its tendency to concentrate itself in places like Bangalore, can be made to move to every district and confer its benefits and advantages on them.

Part IV: Public Services, Tourism, Regional Boards and Social Welfare

24. Representation in Public Services, Sports, Committees and Cultural Organizations

1. There has been growing a feeling among the people of North Karnataka that their regions have remained backward not only in respect of the development of infrastructure facilities, but their regions have been neglected by the successive governments in the matter of regional representation in public services, political appointments on Boards, Committees, Academies and the like.

2. The HPC has analysed the facts and figures on the above aspects. It is found that due representation has not been given to areas of North Karnataka, especially to Hyderabad Karnataka region, in the matter of recruitment to government services, political appointments in Public Undertakings / Corporations / Boards, Committees, Commissions, and the like.

3. In the sphere of cultural development too, North Karnataka has not got its due share. Due representation to artists, writers and poets and talented persons has not been given in the matter of appointment of Chairmen and Members to various Academies.

4. Regional disparities are more pronounced in the matter of conferring awards to scholars, artists etc. North Karnataka's share in all awards (in the field of literature, music, dance, paintings etc) was only 26% as against South Karnataka's share of 74%.

5. In the case of Rajyothsava Awards (1995-2001) also, a major chunk went to South Karnataka (68%) as against 32% in North Karnataka.

6. Comparatively a small proportion of artists in different fields like music, dance and theatre and sanskrit scholars in North Karnataka have benefited from the programmes of monthly honorarium.

7. No cultural training center has been established in North Karnataka, whereas four centers are existing in South Karnataka.

8. To ensure fair distribution in the matter of representation in services, Committees, Awards, old-age pensions, selection of Vice-Chancellors and the like, the Committee recommends that Government may give a statutory backing to provide 50 percent reservation for North Karnataka by enacting a new legislation or by amending the existing legislation, if any in force.

9. In the matter of sports and games also, the North Karnataka regions suffer from inadequate infrastructure facilities, training facilities and funds. As a result, North Karnataka is lagging behind in producing good athletes and players. This imbalance must be removed within 5 years from now. The Committee's proposed outlay on sports is given in Table 30.1 of Chapter 30.

25. Tourism Development for Reducing Regional Imbalances

1. Tourism is a promising industry assuring higher sectoral growth and higher employment output rate. It stimulates infrastructural investment and absorbs marginally educated / uneducated rural populace. One unique feature of tourism is that income generation takes place without the flow of product.

2. It is estimated that about 11000 to 13000 foreign tourists are visiting tourist places in South Karnataka, while about 10,000 to 12,000 foreign tourists are visiting tourist destinations in North Karnataka in a year. The flow of tourists is expected to be more than double in the next 10 years in the two regions.

3. About 30,000 domestic tourists in a year visit tourist places in South Karnataka as against 20,000 tourists in North Karnataka. The domestic tourist flow is expected to grow at an annual growth rate of 15% in South Karnataka as against 12% in North Karnataka. Infrastructure facilities in the field of tourism are inadequate, especially in Hyderabad Karnataka region.

4. There is a lot of potential to develop tourist places both in South and North Karnataka regions of the state and thereby attract more and more number of domestic as well as foreign tourists.

5. HPC FRRI proposes some measures for consideration.

Many tourist spots in North Karnataka do not have tourism infrastructure like good hotels / lodgings, connecting good roads, telecommunication facilities, transport, wayside amenities, airstrips etc., to attract foreign and domestic tourists. The HPC recommends that the proposal for the development of tourism in public and private sector as worked out by the TECSOK for the Department of Tourism be implemented. In order to complete those works in a five-year period we need a sum of Rs.647.47 Crore for North Karnataka and of Rs.1522.04 Crore for South Karnataka.

Tourism be declared as industry in Karnataka as in Kerala, Andhra Pradesh and Rajasthan.

All concessions offered under the industrial policy of the state should be made available for private investment in tourism.

All the tourist places identified by the Department of Tourism in North Karnataka and South Karnataka regions should be developed in a phased manner in 5 years as per the perspective plan prepared by the TECSOK. The share of Government and Private sectors as indicated in the perspective plan should be ensured.

Approach by air: Government of India be persuaded to adopt an open sky policy. Private providers be encouraged with infrastructure support.

I Existing Airstrips

6. In North Karnataka there are no fullfledged airports except in **Belgaum**. The airstrip at **Belgaum** is not being used to full capacity. There is a need to upgrade the existing infrastructure to attract chartered flights from Goa and other places. **Hubli** airport is not functioning at present. There is a need to upgrade the existing airstrips. Existing airport of Air Force at **Bidar** could be used for promotion of tourism in consultation with Air Force Authority. **Bellary** airstrip is rarely used. It is better to construct a new airstrip at a mid-point between **Bellary** and **Hospet** so as to facilitate tourists to visit World Heritage Centre at Hampi, T.B. Dam, Sandur Mines and industrial area around Bellary.

7. There are fullfledged airports at **Bangalore** and **Mangalore**. The existing airport at **Mysore** is not in operation. It needs to be modernized for the use of small air crafts and chartered flights.

II New airstrips

8. Taking into consideration the interests of domestic and foreign tourists, industrialists and others, it is recommended that new airstrips be constructed at **Gulbarga, Bijapur** and **Hassan**. This would facilitate to connect these cities to the flourishing centers in the adjoining states through air transport.

Ropeways

Ropeways should be built at Vaikunta Hills at T.B. Dam (Hospet), Nandi Hills, Chamudi Hills, Krishnaraja Sagar Dam, Kemmannugundi and Jog Falls, under the scheme of Build, Operate, Transfer (BOT) in Private Sector.

A loan of about Rs.125 Crore be availed from HUDCO by Tourism Department for the purpose of constructing roads, signage boards etc.

50% of the revenues generated through gate collection at tourist facility be used for the maintenance and development of that facility.

Incentives be given for establishing heritage hotels.

The Committee's recommendation about the outlay needed for Tourism Development is given in Table 30.1 of Chapter 30.

26. Functioning of Regional Boards

1. Under the States Reorganisation Act of 1956 when Karnataka state was formed on November 1, 1956, bringing together the regions with Kannada speaking people for whom their mother-tongue Kannada gave hopes of closer integration for the development of its economy; and its culture became euphoric and cherished very high expectations of harmonious and faster growth.

2. Several measures have been taken in this direction by the Government since then. Keeping in view the acute backwardness of the then Hyderabad Karnataka region, Hyderabad Karnataka Area Development Board (HKADB) came into existence following Karnataka Government Act 35 in 1991. On similar demands, the Malnad Area Development Board (MADB) started functioning from 1993. This was further followed by the establishment of Bayaluseeme Area Development Board in 1994. In addition, another programme under the title Border Area Development Programme was started in 1990-91 with a view to develop talukas, which are on the state borders with Goa, Maharashtra, Andhra Pradesh, Tamil Nadu and Kerala.

3. The Regional Boards in Karnataka have functioned from six to ten years now. All together about Rs. 802 Crores have been invested till 2001 on all the boards' activities and programmes. The rough breakup of these releases are: 63.44% to HKADB, 22.51% to MADB, 3.39% to BDB and the rest to Border Area Programme. The year-wise, constituency-wise and sector-wise allocations/utilizations of funds differ quite significantly, depending upon (a) the total release of funds in any year, (b) the number of constituencies, (c) the number of projects and so on. It may be useful to remember that the main objectives of all these Boards are harmonizing and bringing regionally balanced development in the state.

4. But the only aspect of regionalisation and balancing, if any, was found to be in terms of distribution of funds equally among the constituencies. HPC basically questions this approach as a long-term procedure for regional development. Regional imbalances appear between talukas and villages because of several factors. The notable ones are landscape and topography, weather (or climate), water supply; social structure and demographic pressure, cultural and historical diversity and so on. Allocations of funds should have followed such concerns of in-equity and disparity. HPC FRRI is of the view that the equal distribution of powers to use the funds by the constituencies is totally against the objectives of redressing regional imbalances.

5. Though Area Development Boards were supposed to adopt a planned way of promoting development to redress regional imbalance, no concrete procedures of planning were applied by the Boards. Neither a proper data base was created, nor maintained, about the effects and impacts of the programmes and projects. Even the minimal procedures such as (a) holding regular meetings of the Boards (quarterly, as per the Charters of the Boards), (b) attendance by all the Members, (c) choice of venue of the meetings at the headquarter or in different districts (instead, mostly held in Bangalore only), (d) major departures from the plan proposals to actual implementations (just a compendium of projects and schemes suggested by the Members), and (e) failure to

constitute Implementation Committees or irregular functioning. The voices of the people in the backward regions have come out very sharply. People expected larger number of works and larger allocation of funds with regard to the basic needs like drinking water supply, health care facilities, school buildings, etc. A careful prioritization of the works implemented would have been more consistent with the guidelines and also people's perceptions of their needs. Better mileage in outcome could have been achieved with the same amount of resources if there was proper planning.

6. The Boards are found to be functioning according to their own style, not so much in line with the Charters and Guidelines. An element of ad-hocism is witnessed at different stages of Board's activities. Choice of the works does not seem to be very much consistent with the real needs of the people. Correction of regional imbalances does not seem to be the explicit focus of Boards activities. Quality of works is the casualty on account of lack of systematic supervision and monitoring. People do not seem to have been involved at different stages of planning, implementation, supervision and evaluation of the works.

7. The issue of 'role and relevance of the Regional Boards' had come for discussion in the State Planning Board earlier in 1999, which had recommended their abolition in due course. In the light of the special evaluation study of all the regional boards carried out now, the HPC FRRI strongly recommends the abolition of all the regional boards and border area programmes immediately.

8. HPC FRRI proposes an alternative to the existing boards to serve the deprived in a better manner. It proposes to make provision for the Governor to undertake immediate action, on the lines of Maharashtra Government, under an amendment to Article 371 of the Constitution of India, to set apart funds for a Special Development Plan to be implemented to redress regional disparity in the state. The Governor can act through the State Planning Department to work out the outlays for each taluka and by programmes and schemes, broadly based on the backlogs estimated by HPC FRRI. The Governor may be assisted additionally by an Expert Committee till such time as the backlogs are cleared out. The implementation of the schemes and programmes can be vested with the ZP, PWD and other major line departments. Additionally, the Government can set up a highly specialized research cell in a social science research institute, preferably in North Karnataka to monitor the developments towards redressal of regional disparity over the next eight years.

9. HPC FRRI also is of the opinion that under the proposed amendment of Article 371 of the Constitution of India, a Central University be established in North Karnataka, preferably at Gulbarga. Additionally, there is a need to set up a Federal Residential University in Bangalore under the Central Government and it should be modelled on the lines of Jawaharlal Nehru University, New Delhi.

10. The District and Regional Planning Divisions of the Planning Department should be fully revamped. Their main responsibility ought to be to, independently guide the District Planning Committees of the ZPs in the preparation of annual plans, assessment and evaluation of the extent of disparity, and to suggest necessary corrective programmes.

27. Weaker Sections, Social Security and Women Development

I Weaker Sections and Social Security

1. A larger proportion of the population, especially the weaker sections such as women, landless labourers, scheduled castes and scheduled tribes, and the backward communities, have not shared the benefit of growth. As a result, they continue to experience deprivation of different kinds including unemployment, illiteracy and ill health. And what is even worse, deprivation appears to be more pronounced in the backward areas of the State. This condition is further compounded by the implementation of the market-oriented new economic policy which has persuaded the State to retreat from social welfare activities.

2. The State, no doubt, has formulated several policies from time to time such as land reforms, provision of education and health facilities, award of scholarships implementing self and wage employment creating programmes targeting benefits to the weaker sections. But considering the magnitude of the problem, the effort appears to be inadequate. And what is disturbing is that the backward areas where the problem of deprivation is more, the flow of such benefits is far less adequate as evident from the wide disparities that we see between North and South Karnataka regions in respect of social welfare benefits provided such as scholarships, pre-and post-metric residential schools and hostels, and the number of boarders covered and so on.

3. Recognizing the need for alleviation of deprivation suffered by the weaker sections, especially the unorganized workers, the Government of Karnataka have prepared a Bill called the Karnataka Unorganized Workers Welfare Bill, 2002 providing for the regulation of employment and working conditions, employment guarantee and social insurance. The Committee expects it to be passed quickly and implemented effectively. The Committee recommends that Government must add its share to the welfare funds.

II Women Development

4. Even though the Constitution of India grants equality to women, protects her rights and prohibits discrimination against sex under Fundamental Rights, gender bias is so deep rooted in the society; women are discriminated against men in the matter of education, employment, healthcare, rights and privileges.

5. On account of the implementation of various programmes towards welfare of women particularly belonging to weaker sections, there is some improvement in the position of women in the State in the matter of demographic and socio-economic aspect. However, much remains to be done. The regional disparities are more pronounced. The status of women in North Karnataka is still worse as compared to that of South Karnataka. Infant mortality, child mortality, total fertility rate, dropout rates in schools, female agricultural labourers are higher whereas mean-age at marriage, female literacy rates, women employees in organized sector are lower in North Karnataka region as compared to South Karnataka region.

6. Human Development Index [HDI] values are higher than Gender Related Development Index [GDI] values in all districts. It shows that the levels of socio-economic development of women are lower than the general level all over the State. The districts of Hyderabad-Karnataka occupy the last position in gender development as in the case of human development.

7. Karnataka State has been the first State in the country to introduce a scheme known as Karnataka Mahila Abhivrudhi Yojane [KMAY], which earmarks one-third of the resources under all schemes and programmes of various Government departments for women. The State has been encouraging women to form 'Self-Help Groups' under 'Sthree Shakthi Yojane'. In this sphere also the North Karnataka is lagging behind South Karnataka.

8. HPC FRRI recommends the setting up of two universities for Women Development, one at Bijapur and the other at Hassan or Davanagere on the lines of S.N.D.T. at Mumbai and 'Padmavathi Mahile University at Tirupathi'.

Part V: Development Strategy and Organization

28. Strategy of Development

1. Any strategy of development for reducing regional imbalances ought to take note of the need for strengthening infrastructure and industrial base of the backward taluks. Those served by major irrigation projects, need developing of infrastructure. Agricultural growth on watershed basis and drought proofing of taluks, constantly drought affected with not much scope for industrial growth should be the aim. Industrial base in the backward taluks is constrained by inadequacy of natural resources, which hold back the prospects of growth. Every effort should be made for making up the backlog in development and also for a more equitable spatial distribution of growth benefits. The concern for backward areas and weaker sections requires the adoption of area wise sectoral programmes and area plans and they have to be properly integrated keeping in view the employment effect.

2. Although total Plan outlay has increased in the past one decade touching Rs.7,910 Crore in 2001-2002 it has been inadequate in relation to the objective of balanced development of all regions and sectors. The decline in the sectoral outlay on agriculture and allied activities and rural development, inadequate allocations for transport, education, health, water supply, sanitation and housing and the lack of regional approach in resource allocation have caused backwardness in agriculture and infrastructure in rural areas. Market forces will not operate to bring the desired results in social infrastructure and in agriculture and rural development since markets are imperfect in these and are unfriendly to the poor. A remedy is to be sought within the framework of public sector outlay and its sectoral distribution for balanced development supplemented by private investment wherever possible. Thus, the strategy should be one of preparing a Comprehensive Development Plan for each taluk in which the backlog of the facilities and the infrastructure are to be made good within a specific period utilizing fully the local resources available including the up-dating of the human skills. Thus, additionality to the Plans of backward taluks is necessary.

3. The most lacking thrust to trigger off development particularly in North Karnataka lies in the absence of educational facilities and health facilities right from the early days even going back to the period prior to integration. Urdu being a medium of instruction and language of the court has adversely affected the Hyderabad-Karnatak region. The female literacy rates are the lowest in districts like Raichur, Gulbarga, Bidar, Bellary and Belgaum. The extent of lag in the investment in human resources, as measured by the Human Development Index shows that North Karnataka districts had lower levels of human development as reflected by the index value of 0.54 to 0.57 in Raichur, Gulbarga and Bidar districts. Improvement in skills and capabilities play an important role in promoting development. In view of this, the strategy should give key position for human resource development.

4. For success in the development strategy in irrigation sector, Government should stop spreading the scarce resources over a large number of irrigation projects, which remain incomplete even after 20-25 years. The Strategy in this sector should

include providing the required funds for completing the ongoing projects in the next two or three years. The State's Water Resources Policy is to be commended as it aims to reach a target of 45 lakh hectares very soon.

5. Primacy for irrigation and agriculture is, therefore imperative and it should be the aim of the Government in developing any river basin, should be to ensure that the benefits reach the farming community in that entire basin area. Keeping in view, the large number of backward taluks and also the predominance of agriculture whose foundation has to be strengthened further to improve the conditions of the people there, all taluks coming within the Krishna, Godavari, Cauvery and other river basins will have to be brought under assured irrigation. This includes a massive re-charging project for improving underground water resources. Keeping in view the massive investment of nearly Rs.15,000 Crore of which nearly Rs.11,000 Crore are in the North Karnataka region, the Committee feels that the financial strategy should include the levy of appropriate 'User Charges' for water supply for irrigation.

6. The mineral base in a majority of the backward talukas is somewhat limited. Priority should be given for the exploration of minerals in places like Gadag where gold is reported to be available by inviting multi-national explorers with latest art of the technology in exploration. Agro-based industries and IT expansion would also help development substantially.

7. Industrial development in North Karnataka has suffered due to lack of infrastructure, whether economic, financial or manpower or social. Our study has captured as many as 16-18 items of infrastructure in its effort to identify and quantify the regional imbalances for redressal.

8. There is a great role for the private sector to reduce the regional imbalances by supplementing public investment in the backward taluks. Further liberalization in agriculture and developing appropriate technology, the delivery system should form an inseparable component of total strategy. For making up the backlog in backward taluks additional investment by way of equalization grants will be necessary. This is on the model of the special purposes grants, which were in vogue in earlier years of Planning and continue to be given by the successive Finance Commissions for upgradation of services.

9. HPC FRRI emphasizes that any distribution or release of funds on a uniform basis for the development or improvement in infrastructure or other development programmes / either directly or through M.P.s and M.L.A.s would dis-equalize further the existing imbalances. The strategy of equal distribution should be stopped. Such releases must be related to the level of imbalances in the taluk or any area.

10. Most of the backward taluks and even those, which are relatively developed, depend on agriculture. The farming community is at a great disadvantage in terms of equal access to irrigation facilities and credit. Further, the crashing of prices has introduced instability in agricultural prices, which in turn, have added to the shocks in rural areas perpetuating backwardness. Therefore, the strategy will have to include setting up of Commodity Boards for all major agricultural products and an Agricultural Price Stabilization Fund with adequate resources like say Rs.1,000 Crores. There should

also be measures of liberalization for the flow of private capital to rural areas particularly in areas like Cold Storage facilities, housing and Science and Technology. While infrastructure like roads, drinking water, marketing, storage facilities and institutional credit should receive the highest consideration, the strategy of **Special Development Plan** should have a time horizon. It should promote Town Planning, Growth Centers which will produce forward and backward linkages for reducing not only intra-town / inter-town imbalances but also the rural-urban imbalances. Any strategy of development cannot ignore the emotional aspect of the people of the region since linguistic harmony is not a matter of just equal access to socio-economic and infrastructure facilities but also opportunities to serve in different spheres. It is feared that the continued regional imbalances coupled with emotional disturbance are bound to affect the oneness of the State. Hence, there is need for bringing a balance in access to Higher Judicial Services by establishing a Bench of the High Court of Karnataka at Hubli-Dharwad in North Karnataka and by providing Circuit Bench facility in other major cities like Gulbarga.

11. In any effort to equalize the benefits of development, it is emphasized that permanent remedies should be adopted even though they may appear to be high cost solutions. In effect, over the medium and long-time, this strategy will be cost effective.

12. Sustained policies for balanced development should not be construed as applicable only for physical infrastructure or investment productive activities. More than the physical disparities in schools, hospitals, roads and the like people are much more vocal and worried about their being denied, year after year, the opportunities for participation in various Committees and other organizations set up by the State Government to promote overall interest in areas of representation in services, literature, sports, art and culture. There should be a fair distribution in these representations to avoid agitations for a separate State. However, it should be noted that a separate State is no solution for the problem of regional imbalances. People of the State residing in all regions should appreciate the need for absorption and no rejection, assimilation and not dispossession, construction and not destruction to constitute a vibrant approach in the strategy for balanced development. Making up the backlog through a **Special Development Plan** is not to be viewed only in terms of physical facilities or development of the local resources for improving the incomes of that area. Equal importance should be attached to raise the quality of life of the people at large in terms of their potential through appropriate living environment, social and cultural programmes.

13. There should be a new authority for the allocation of funds for the proposed **Special Development Plan**. Since the problem of imbalances in the different regions has accumulated mass over 45 years under the present legislative dispensation, a new authority like the Governor under an amendment to Article 371 of the Constitution of India may decide on the proportion of these funds and direct the State Government to implement it.

14. It has been increasingly recognized that implementation of programmes should involve the people, voluntary organizations and 'Self-Help Groups' which are service oriented and are capable of mobilizing people's participation. Decentralized planning and decentralized governance can alone offer a solution to the problems of regional imbalances.

29. Government Policy for Reducing Regional Disparities during 2000 - 2002 /03

1. Beginning with 1970s, reduction in regional disparities constituted an objective of the State Plan. Translation of this objective into a reality was facilitated by an efficient and professional Planning Department, which evolved among others criteria for the distribution of plan outlays /resources, with weightage of 50 per cent to 'backwardness' measured in objective terms. In addition, Employment Guarantee Scheme and Housing Scheme carved out in the 1970s, especially to help the poor in the poor areas contributed to reducing the regional disparities. District Planning and later on the decentralised Panchayat Raj system served as useful planning and administrative mechanisms in the direction of balanced regional development. Political leadership of those times being responsive and sensitive to the issue of balanced regional development followed a convention of ensuring a proper representation to various regions in key positions, recruitment agencies and appointments.

2. These various measures and steps taken by the State Government in reducing regional disparities got diluted since the Seventh Five year plan. Even Panchayat Raj System and Regional Development Boards contributed precious little to tackle the problem of regional disparities. In these circumstances appointing of a High Power Committee for the Redressal of Regional Imbalances by the present Government sounds quite significant.

3. Since the terms of reference to this Committee do not ask the Committee for any evaluation of policies followed by different governments in the area of regional disparities, the Committee have restricted to place on record the policies and programmes in brief, adopted by the present Government since 2000.

4. 210 MW power generation at Raichur Thermal Plant-7 costing Rs. 613 crore; supply of personal hygienic units in the selected public health centres of Dharwad and Bellary districts at a total cost of Rs 90 lakhs; Upgradation of 26 hospitals in Gulbarga division under KFW (German assistance) Project; Setting up of a separate Directorate to enhance literacy rate in seven educationally backward districts of North - Eastern Karnataka; Progress made in respect of construction of dams and canal work relating to a few irrigation projects like upper Tunga Project, Hippargi Project, Harinala Project, Gandorinala Project and Ghataprabha Project may be cited as examples of government's efforts in the development of North Karnataka region.

5. Similarly, power generation project of 240 MW at Gerusoppa (Sharavathy Tailrace) in Shimoga district costing Rs 531 crore and the scheme of supply of Personal Hygienic Kits in the selected public health centres of Kolar, Mandya and Chamarajanagar districts at a total cost of Rs 135 lakh provide evidences of government's efforts in the development of South Karnataka region.

6. It is to be noted that in the Budget 2002-2003, provisions for various projects and schemes specific to the districts in North Karnataka and South Karnataka have been made which should facilitate their development. With regard to projects and schemes relating to the districts in North Karnataka, a few may be mentioned as examples:

- i. Scholarship scheme for all eligible girl students of educationally backward districts of Gulbarga, Bidar, Raichur, Bijapur, Koppal, Bagalkot and Bellary.
- ii. Setting up of a Science City in Dharwad with an allocation of Rs 20 lakh for project formulation.
- iii. Implementation of Jal Nirmal, the World Bank aided Rural Water Supply and Sanitation Project, in 11 districts of the Northern region of the state with an outlay of Rs 1035 crore.
- iv. Setting up of Institute of Agri-Biotechnology at Dharwad.
- v. Rs 20 crore proposed for Sholapur-Gadag gauge conversion project.
- vi. Rs 10 crore allocated towards a High Court Bench envisaged for Northern Karnataka.

7. Likewise some examples of projects and schemes relating to the districts in South Karnataka are:

- i. Rs 300 crore earmarked for the irrigation projects in the Cauvery basin.
- ii. Bio-Technology Park at Bangalore.
- iii. An outlay of Rs 15 crore provided for the Hassan-Mangalore gauge conversion.
- iv. A pilot project for the improvement of roads of all categories in Mandya district at a total outlay of Rs 300 crore.

8. In the framing of projects and their implementation in a very short period of over two years, projects have been fairly well distributed over the state, subject to their acceptance of external financing agencies where applicable. This feature in framing of projects and proposals is reflected in the Budget of 2002-03 too, which indeed is to be appreciated.

30. Special Eight -Year Development Plan: An Outline

1. The Annual Plans have their inadequacies both in outlays and in the location of the programmes. HPC FRRI feels that **Special Development Plan** with a time profile of eight years from 2003 to 2010 covering five years of the X Plan and three years of the XI Plan will have to be formulated based on disparities / deficiencies identified in 114 taluks.

2. The specific objectives include accelerating growth in the backward taluks through additional investment in various sectors / areas in the backward taluks, building infrastructure to make good the identified sector backlog in the backward taluks, establishing needed institutions / organizations, providing location-specific sectoral schemes in backward taluks, helping the Planning authority in preparing Action Plans with three priorities like most backward taluks, more backward taluks and backward taluks with time profiles like 2003-2005, 2005-2008 and 2008-2010 and giving scientific and technological support needed for the programmes of the **Special Development Plan**.

3. Net additional outlay proposed for the **Special Development Plan** is about Rs.16,000 Crore spread over major sectors and programmes as shown below:

Table 30.1
Eight Year Special Development Plan Outlays by Major Sectors

Sl. No.	Sector/Programme	Outlay [Rs. in Cr.]
I	Agriculture and Allied	
1	Agriculture [Markets, training and direct investment in land/soil improvement, machinery & equipment, Price Stabilisation Fund]	2000
2	Sericulture	100
3	Horticulture	100
4	Fisheries	70
5	Animal Husbandry	70
II	Rural Development	
1	Rural Roads	600
2	Z.P. Roads	400
3	Rural Water Supply	4500
4	Rural Housing	1600
III	Irrigation	
1	Irrigation	7800
2	Water Recharging Scheme	200
IV	Energy	
1	Power	3000
V	Industry & Minerals	
1	Industry [Industrial Sheds, Industrial Infrastructure, State Finance Corporation for North Karnataka]	400

... Contd

Sl. No.	Sector/Programme	Outlay [Rs. in Cr.]
VI	Transport	
1	Railways	500
2	Airstrips/Reviving airports fallen into disuse	1000
3	Ports	150
VII	Science & Technology	
1	I.T. & B.T.	200
VIII	Economic Services	
1	Banking, Co-operation & other Financial Institutions	10
IX	Social Services	
1	Health	800
2	Education	1000
3	Sports	25
4	Tourism	2000
5	Urban Development	200
6	Urban Water Supply [Slums Improvement and Urban Water Supply & Drainage Board for North Karnataka]	3000
7	Weaker Section, Women Development & Social Welfare	1000
	Total	30725
	Rounded off to	31,000
	Anticipated flow (outlay) in Annual plans (114 Taluks)	15,000
	Net Additional Outlay (114 Taluks)	16,000

4. Allocation of outlays among the four divisions corresponding to the four regions of the State may be done utilizing further the Comprehensive Composite Development Index and deriving from it a cumulative deprivation index. Following this, resource allocation will be 40 % for Gulbarga Division [Hyderabad-Karnataka region].

Cumulative Deprivation Index CDI	% Resource Allocation
Gulbarga Division = 8.06	40.0% (= 8.06 / 20.26)
Belgaum Division = 4.12	20.0% (= 4.12 / 20.26)
Bangalore Division = 5.32	25.0% (= 5.32 / 20.26)
Mysore Division = 2.76	15.0% (= 2.76 / 20.26)
Total	<u>20.26</u>

5. Broadly, North Karnataka would get 60 % (Rs.9600 Crore) and South Karnataka 40 % (Rs.6400 Crore) of the total additional outlay.

6. The project profiles should be prepared by the concerned authorities / departments for these additional outlays taking the specific deficiencies and also the specific locations identified by the Committee in its analysis of resources and infrastructure. In addition to a time-bound additional plan, there shall be changes in monitoring and modifications in organizational management as discussed in **Chapter 32** of the Report.

31. Financial Resources for Redressal of Regional Imbalances

1. For the supplementary plan, massive additional resource mobilization is required. This is so at a time when the State is confronted with a resource crunch which is reflected in a reduction in per capita development expenditure to Rs.2,266 compared to Rs.3,241 for Haryana, Rs.2,480 for Madhya Pradesh, Rs.2,317 for Maharashtra and Rs.2,591 for Punjab. Karnataka has lost its first place in per capita development expenditure which it had obtained in 1993-94 and has now come down to the 7th place. Revenue deficit has increased from Rs.179 Crore in 1991-92 to Rs.2,724 Crore in 2001-2002. Fiscal deficit has increased by more than ten fold from Rs.-513 Crore in 1991 to Rs.-5,127 Crore in 2002. As a proportion of SNDP it has increased from 2.50 to 5.05 per cent during this period. The State had to resort to a cut down in the plan outlays during 1991 to 2002. Zilla Panchayat outlays are inadequate and their proportion of the plan outlay has declined from 32.24 % in 1988 to 20 % in 2001. The State finances in relation to SNDP reveal more or less a stagnant picture for its parameters like State's own Tax revenue, State's own Non-Tax revenue, Central transfers and State's Capital expenditure. The State debt has risen from about Rs.849 Crore in 1991-92 to about Rs.27,000 Crore in 2001. As a proportion of SNDP it has risen from 3.2% in 1991-92 to about 31% in 2001. Revenue used for payment of interest on the debt has risen from 11.8% to 27.2%. The debt service ratio is likely to reach 23 % by 2005, as per the mid-term fiscal plan 2001. The financial prospects in the coming three years are not so bright as to yield large surpluses both to avoid or reduce fiscal deficit or for financing the **Special Development Plan**. HPC FRRI suggests that there is a great need for reliance on domestic savings than on continuously rising loans, and restructure its financial management to ensure better returns, on its investment for supply of economic inputs.

2. An overview of the tax armoury and the tax revenues in the past one-decade shows that there is not much scope for tax hike. Already Karnataka has earned the reputation of being the highest taxed State. This is so if the per capita tax revenue is related to the per capita SNDP [8.4%]. Even introduction of value added tax [VAT] according to the medium-term fiscal plan is unlikely to bring very high revenues. On the contrary, the medium-term fiscal plan has expressed its concern about the possible lesser revenues in its initial years. Service Tax now permitted by the Central Government on 200 items may bring some additional revenue but it will be by no means a large surplus. Therefore, non-tax resources have to be relied upon for substantial additional resource mobilization.

3. The Tax Reforms Commission has observed that the aim of the tax system should be to set up a structure that would respond satisfactorily to growth in gross domestic product. They have not made any quantitative assessment of the improvement of the revenue as a result of their suggested restructuring of the tax system in the State. The medium-term fiscal plan has projected the debt stock to touch Rs.46,364 Crore by 2005. The fiscal deficit will remain at – Rs.5,234 Crore even by 2005. If the debt continues to grow at the current rate, it is feared that by 2010, which is the terminal year of the **Special Development Plan** the threat of debt-trap, may surface causing serious damage to the State finances.

4. Among the non-tax resource potential three sectors like irrigation, power and State Public undertakings offer great scope for additional resource mobilization apart from redressing social injustice, which now obtains in them.

5. Reasonable returns of at least 6% on irrigation investment of nearly Rs.17,000 Crore including investment in 2002-2003 should be possible. The present tax on water for irrigation, which is unchanged since 1985 and also reportedly not recovered. This should be revised bringing the rate to Andhra Pradesh level. Similarly, there is a massive investment of about Rs.15,000 Crore in power both for generation and distribution. The return from it is again negative and causes serious concern. Taking the prevailing rates, the State should get about Rs.1,000 Crore income annually. Instead, there is an outgo of Rs.3,000 Crore, which leads to a negative income of Rs.4,000 Crore per year in the power sector.

6. State Public Undertakings have a total investment of Rs.22,000 Crore. They have an accumulated loss of Rs.1,700 Crore. This apart, yearly budgetary support, by way of subsidy to them, is reported to be not less than Rs.4,000 Crore including the subsidy given to KPTCL. There should be reform of these State Public Undertakings as recommended by the Public Undertakings Restructuring Commission. In other words, there should be a vigorous disinvestments programme or even an outright sale keeping five or six strategic State Public Undertakings in the public sector.

7. Funds for civic bodies now given are totally inadequate. Their finances have to be reformed and more funds have to be given to the urban local bodies if their poor financial position is not to affect public undertakings like KPTCL.

8. If additional resources are not mobilized, there will be greater strain on the existing plan resources if the objective of the State is to reduce regional imbalances. In such a situation the required proportion of resources for the **Special Development Plan** will have to be set aside or pre-empted. Only the balance of the plan resources is to be allocated among the different sectors to benefit all the taluks in the State.

9. Government has done well in attracting external assistance for its various plan projects. However, subject to a review of the debt position by an expert body, HPC FRRI would recommend to the State Government to seek in greater measure external assistance from World Bank, Asian Development Bank, NABARD, HUDCO and various other bilateral country assistance for implementing some of the medium and long-term projects proposed in the **Special Development Plan**. Government is urged to accept and honour the federal principle of transferring resources from better off regions to worse off regions for maximizing the total welfare of the people of the State.

32. Organisation and Management

1. Regional imbalance is a product of development process initiated by planning. The planner, guided by the goal of maximizing growth given the resources, tended to allocate more resources to the well endowed regions and sectors whose productivity levels are higher and thereby sowed the seeds of regional imbalance. In Karnataka, so long as the regional balance concern was ingrained in the resource allocation exercise inequalities were well within the limits. But with this concern being overlooked subsequently, regional imbalances got widened. Following the adoption of decentralized governance and planning in the late 80s the regional balance concern was revived and planning, organization and management methods were adopted.

2. The basic principles underlying such organization and management for regional balance were: local resource-based and people's need oriented; participative involving people at planning, implementation, monitoring and evaluation stages and intergrated with higher level planning organizations. The analysis of the planning experience brings out the following weaknesses from the point of view of regional planning:

3. Resource allocation to regions is not adequately based on backwardness criterion.

4. Intra-region resource allocation by the panchayats and regional development boards takes the form of members equally sharing resources which widens regional disparities.

5. People's participation at the planning and implementation stages is not fully ensured.

6. Projects are not completed in time and quality of work is not ensured.

7. And the sub regional plans among themselves and with the state plan are not integrated in the framework of integrated area development. Therefore, the HPC FRRI recommends modification of the criteria for allocation of funds to districts on the lines of 'Cumulative Deprivation Index (CDI) adopted in the Chapter 6 of this report. It further recommends that the District and Regional Planning Division of the Planning Department should be strengthened, **inter-alia**, with other structural changes suggested in the Chapter on **Functioning of the Regional Development Boards**. The District and Regional Planning Division should be headed by a professional with expertise in decentralized planning and should have the designation and Rank of a Special Secretary to Government with the required supporting technical staff at the State level. At the Zilla Panchayat level, there should be Technical Cell with expert staff headed by the Chief Planning Officer to assist the District Level Committee in the preparation of the District Development Plan by integrating all the programmes of development of different organizations, covering both Zilla Panchayat and others, in a scientific manner. At the Taluk Panchayat level, there should be one or two Research Assistants for the preparation of the Taluk Development Plan under the guidance of the District and Regional Planning

Division of the Planning Development at the state level and the Technical Cell at the Zilla Panchayat. To facilitate this, the recruitment policy should be modified or liberalised if required, to appoint the trained experts at the State / District / Taluk levels. Similarly, attention should be paid to the generation of required data on taluk-wise basis in respect of the 35 indicators adopted in this **Final Report** and for its updating every year and its maintenance for use by planners both as a planning input and a reference point for monitoring and evaluation.

8. The Final Report has emphasized the need for an environment for emotional integration of the people speaking Kannada in the different regions of the State. It is the earnest hope that the massive data analysis and efforts put in by HPC FRRI and its staff as well as outside research agencies which have worked for the Committee will enable the Government to pioneer a Regional Development Approach in Karnataka for achieving the ideal of a balanced developed and prosperous State of Karnataka.

High Power Committee for Redressal of Regional Imbalances

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(From 19-04-2002 to 30-06-2002)

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